

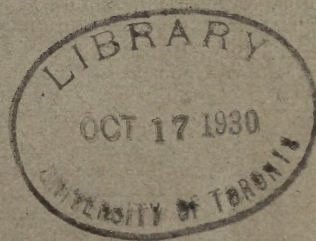
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INTERNATIONAL INSTITUTE OF AGRICULTURE
BUREAU OF ECONOMIC AND SOCIAL INTELLIGENCE



THE LANDSCHAFTEN
AND
THEIR MORTGAGE CREDIT OPERATIONS
IN GERMANY
(1770-1920)

BY
M. TCHERKINSKY
(Cherkinsky)



ROME
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INTERNATIONAL INSTITUTE OF AGRICULTURE

BUREAU OF ECONOMIC AND SOCIAL INTELLIGENCE

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AND

THEIR MORTGAGE CREDIT OPERATIONS

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(1770-1920)

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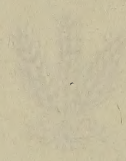
INTERNATIONAL INSTITUTE OF AGRICULTURE
AND FORESTRY

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BY DR. H. L. H. H. H.



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PART II.

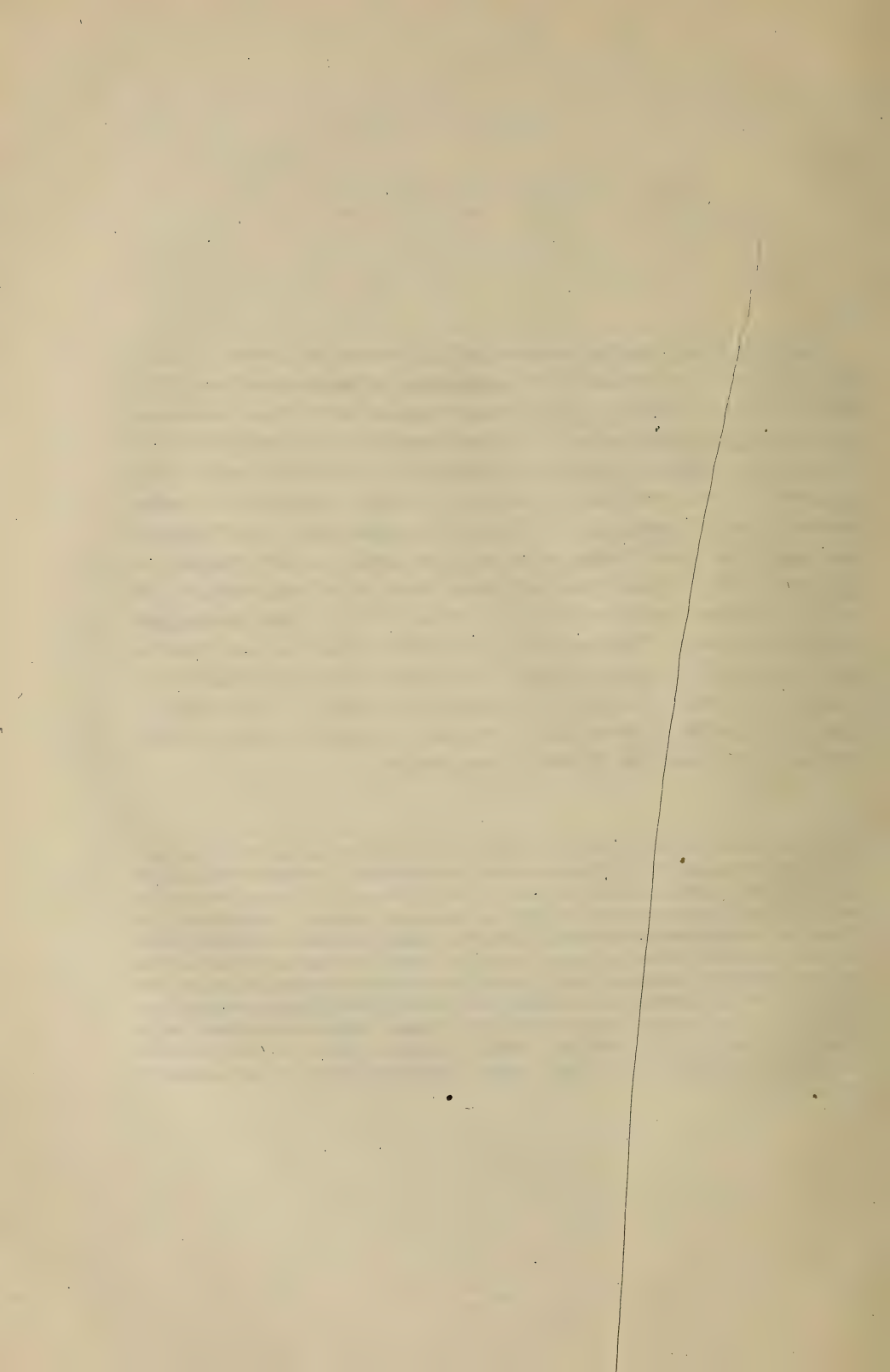
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Mortgage credit business is transacted in Germany by a series of institutions organized in accordance with varying legal and economic criteria. This diversity appears mainly in the external organization of these institutions and in their managing bodies. In some cases the State, the province or the commune assumes the initiative, carrying on operations on its own guarantee (*Landeskreditkassen*, provincial credit associations, *Landesbanken*, provincial banks, etc.). Others are administered by private persons under the form of share company, for profit, as for example the mortgage banks. Finally there are some which are administered by the parties concerned under co-operative forms, with the object of securing a common advantage. This last form is the oldest and at the same time the most important for landed property. It dates from the second half of the eighteenth century, the era of Frederick the Great. In the field of agricultural policy it forms one of the most striking of this monarch's schemes. We mean the Prussian *Landschaften* (1)

(1) Before entering upon the subject, it will be well to give some explanation of the meaning of the word *Landschaft*. In literary German as is well known, *Landschaft* means a territory, or the reproduction in a picture of a piece of land, a landscape. In modern German the idea of the *Landschaft* in the social and political sense is not preserved. According to this the word meant either the representation of a province, usually by the nobles, or a self-governing noble institution. From this conception comes the sense of the term *Landschaft* as it was employed up to the middle of last century, meaning the association of noble landowners, who belonged to the self-governing bodies of their class, into credit federations, or provincial institutions of the *Landschaften* (JACOB and WILHELM GRIMM: *Deutsches Wörterbuch*, Vol. 6, Leipzig, 1885, pp. 131-133). Since the abolition of the feudal rights, the term *Landschaft* has stood for a federation of landowners, without distinction of class, for the purpose of land credit.



PART I.

ORIGIN AND HISTORICAL DEVELOPMENT OF THE LANDSCHAFTEN

CHAPTER I.

THE ORIGIN OF THE LANDSCHAFTEN.

The origin of the Landschaften dates back to one of the most critical periods in the history of Prussia, that after the Seven Years' War. The long period of war which had been the means of raising Prussia, from the political point of view, to the rank of a great power, had at the same time exhausted her economic resources and had inflicted serious injury on the general prosperity of the country. The landowners belonging to the nobility, on whom the greater number of the peasants were dependent, found themselves in great straits owing to the devastations brought about by the war, particularly in Silesia, the principal theatre of the military operations. Agriculture was in a disastrous state, fields lay untilled, dwelling-houses had been destroyed by fire, cattle had perished. The landowners lacked the means to carry out any reconstruction, inasmuch as their credit was no longer good, and the difficulties in the way of procuring necessary capital were very great. Interest was not paid punctually, debts were not discharged, mortgages were foreclosed and insolvency resulted. The confidence of investors in respect to the landed aristocracy was completely shaken. Many mortgage loans were withdrawn. The nobles ran the risk of losing a considerable portion of their property. To avoid this danger the Government promulgated on 31 March 1759 a decree prohibiting any proceedings being taken against the landed proprietors until the end of the war. On 1 August 1765 a second decree was promulgated on the basis of which no one could be obliged to refund debts contracted before that date until 1 August 1768. But this moratorium merely acted as a palliative: as soon as it ceased to be operative the deficiency of credit made itself felt with landed proprietors in a still more aggravated form. In

a short time more than 400 estates in Silesia belonging to the nobility were sold by auction. In addition there was the circumstance that the prices of cereals, very high during the war, fell sharply after the peace, and besides the export of wool was forbidden on pain of death. This meant that even where it had been possible to keep up farms or to restore them to working order the owners were now plunged in difficulties. Credit could only be obtained from private individuals at a high rate of interest, since there were at that time no institutions that could act as intermediaries between landowners seeking credit and capitalists seeking investments for their money. Proposals for the creation of a credit system had been made as early as the time of Frederick William I immediately after the regulation of the mortgage system in Prussia in the year 1723, but they had not been carried out.

The credit of having been the first to draw up a scheme of land credit which would enable the nobles to obtain the loans they needed, belongs to a Berlin merchant, by name Diederich Ernst Bühring. Bühring had spent many years, in the capacity of a bill broker, in Amsterdam, where he had gained a close acquaintance with the working of mortgage institutions in Holland which granted credit to Dutch colonists on the security of their plantations. He returned to Berlin in 1765. On 23 February 1767 he requested an audience with Frederick the Great to lay before that monarch an "important project". His plan was based on the view that land represented the best conceivable form of security: and if even a part of the landed property of the country could be rendered by some sound system a quotable security, if in other words there could be created, on the basis of that real value, a sound negotiable security, "that would be more than enough" said Bühring "to have an effect on the credit and on the general prosperity of the whole country". In order to realize this scheme there would have to be created, with the approval of the State authorities, by the persons in need of credit a credit association, a *Generallandschaftskasse*, which on the basis of land mortgaged in its favour would issue mortgage-bonds or interest-bearing land-bonds (*Pfandbriefe*) payable to bearer. The soundness of these bonds would be guaranteed by the *Landschaftskasse* as such without the individual members having any direct liability towards the investor in respect to their own estates and without entry of the bonds on the mortgage register. The joint and several liability of the whole body of those giving mortgages towards the holders of the bonds was in Bühring's opinion superfluous.

The mortgage bonds according to his programme were to contain no reference either to persons or estates and were to be handled purely on ordinary banking lines.

The bonds issued were to be convertible into cash by the *Landschaftskasse* at any moment, on the demand of the holder, and their export abroad was to be forbidden under severe penalties. The *Generallandschaftskasse* would thus be on the one hand a creditor of those obtaining the mortgage loans, and on the other hand debtor to the holders of the land-bonds. With an organization of this kind the personal relation between the lender

and the individual in need of credit would be eliminated, and at the same time a system would have been found in which the utmost advantage would be taken of the exceptional soundness, in relation to the money market, of securities based upon land values.

Certain initial difficulties were encountered in the practical carrying out of this scheme of Bühring's, admirably fitted as it was to supply the general lines along which the Landschaften could be developed. It was found that the *Generallandschaftskasse*, conceived as an institution for securing to the landed proprietors land credit in all parts of the State, did not take sufficiently into account the diversity of the economic and legal conditions prevailing in the different provinces and territories, nor the influence that the character of the soil, climatic conditions, the state of cultivation, etc., have on land-values. The scheme projected required, therefore, to be adapted to the local conditions of the various provinces, in which it would have been necessary to create *Landschaftskassen* of differing types, instead of setting up a general *Landschaftskasse*.

Moreover the carrying out of Bühring's plan was not possible with the form of guarantee advocated by him in connection with the *Landschaftskasse* in favour of the holders of the mortgage bonds. The distrust with which the investors regarded landed property could not be overcome by such a guarantee. If in fact the projected mortgage bank found itself obliged to stop payment, then the investors would have no power to make good their claims. To induce investors to feel greater confidence in offering to finance the proposed credit association, they had to be allowed, in addition to a claim against the association itself, a specific mortgage claim on the different estates on behalf of which loans had been demanded. And in the event of this specific guarantee being insufficient, there had to be also the joint guarantee of all the landowners who were members of the credit association. This additional guarantee, in view of the possible non-discharge of the mortgage debts, would have the twofold effect of making the associated landowners set to work to manage their own estates better, and also, in their mutual relations, see to it that their fellow-members did not neglect their lands.

This modification of Bühring's original plan, whereby it was adapted to the actual conditions of the country, was brought about by the King himself, and by his adviser, von Carmer, Minister of Justice, afterwards Chancellor. On 29 August 1769, Frederick the Great addressed to von Carmer the famous Cabinet ordinance which may be regarded as constituting the real programme for the foundation of the Landschaften. Since this document is of importance as embodying for the first time the practical application of the idea of the Landschaften, we reproduce its chief points :

" Being aware that the financial embarrassments now evident among the landed nobility of Silesia are in the main due to the failure of credit and that this in its turn is chiefly traceable to the heavy mortgage charges disproportionate to the estates and to the fact that lengthy proceedings and many expenses are entailed on the creditors when bankruptcy proceedings take place, I hereby propose with the view to removing this evil

from the root, to re-establishing on a sound basis and to permanently strengthening both land credit in general and also individual credit, that my loyal nobles of Silesia shall be placed in the advantageous position thanks to which the nobility of Kurmark have up to now both maintained and developed their credit and their prosperity⁽¹⁾. I therefore propose that the nobles of each separate principality and afterwards all the principalities shall unite and establish a common *Landes-Collegium* which is to take all necessary steps for the maintenance of the public credit and is to act freely, without let or hindrance, in the best possible manner.

"The land and mortgage registers shall remain, according to the ancient constitution of the country, under the care and direction of the Government. The whole mortgage system shall be continued on the present basis: moreover these bodies cannot issue land-bonds intended for quotation on the market, without the intervention, the approval and the signature of the authorized representative of the principality or the district to the administrative area of which the estate forming the security belongs.

"By land bonds intended for quotation on the market, I understand mortgage instruments which on the guarantee of the Landschaft will in future be accepted in the event of purchase of land, capital payments and the like, according to the precedent of the *Ledernen Briefe* ⁽¹⁾ formerly in use in the principalities of Schweidnitz and Janer, and which will circulate precisely as money. Anyone proposing to issue such documents in respect to his estate must notify the government authorities, in accordance with the usual practice: but these latter are expected to transmit the written application with an extract from the mortgag register to the Council of the principality or district in the administrative area of which the estate to be mortgaged is situated for careful investigation.

"The valuation of estates for this purpose must not be, as it has been up to the present, an arbitrary matter, but must be carried out according to certain guiding principles to be expressly laid down in each district. The Landschaft for its own security must not exceed in the mortgage bonds issued under its guarantee one half of the effective value of the estate to be mortgaged: moreover with a view to facilitating negotiation and the payment of interest, mortgage bonds of the value of less than 20 thalers or more than 1000 thalers should not, as a rule, be issued. In the case of the insolvency of the owner of an estate mortgaged in favour of the Landschaft, the latter will take possession of it and administer it and until

(1) The self-governing institution (*Landschaft*) of the noble class still in existence in the said province took part in the work of legislation and administered the estates of that class. (ALTROCK: Kur- und Neumarkisches Ritterschaftliches Kreditinstitut, Berlin, 1915, p. 4).

(1) The *Ledernen Briefe*, documents drawn up on parchment, were mortgage instruments issued for not more than half the value of the estate, and differing from ordinary entries in mortgage registers inasmuch as they were issued by the provincial offices (*Landesämter*) or by the Governments, and were therefore negotiable. They were not, however, payable to bearer. (SCHULTE: Hypothekbanken, Munich and Leipsic, 1918, p. 35)

its claims are satisfied there can be no general settling with the creditors. If it should happen that such an estate forming part of the assets in the case of insolvency has been completely destroyed, and that in consequence, it would be impossible to obtain by foreclosure even one half of its true value, the remaining property of the debtor is to be liable as guarantee for these privileged debts.

“Credit being thus reconstituted, the relations between the landed proprietor and the investors which have been difficult to establish up to the present will regain their former activity, and money now held back from fear of loss will be willingly lent in exchange for these mortgage bonds, safe in character and not exposed to the least danger of prolonged litigation. For these reasons and because too every private individual will use the small savings he has by him in the purchase of these bonds which can so readily be realized, there is no doubt that there will be an increase of liquid capital, and that in consequence the rate of interest, at the present time too high, will return to a more moderate level.”

The stability which was desired for the new system of credit was conferred upon it by this Cabinet ordinance. The Landschaft, this association of the landed nobility, formed for the provision of credit, was to be constituted in accordance with co-operative principles and the individual landowner was thus to figure in the eyes of the investors as a member of the whole land-owning aristocracy. The joint and several guarantee of the members of the Landschaft would on the one hand offer excellent security to the owners of capital for their investments and consequently encourage the flow of capital towards agriculture : but at the same time it would also have the effect of instilling into the landowners due prudence in the employment of the facilities placed at their disposal. The management and administration of the Landschaften was to be organized on the model of the self-governing institutions peculiar to the noble class.

The year following the publication of the Cabinet ordinance there were submitted for the royal approval the rules of the Landschaft of Silesia, drawn up by the Estates of Silesia in the General Assembly (*Landtag*). On 15 July 1770, these rules received the royal sanction, which was at once followed by the founding of the first mortgage credit institution in Prussia — the first also in Europe.

CHAPTER II.

THE LANDSCHAFTEN FOR THE NOBILITY.

The original Prussian Landschaften, emanating as they did from the land system in force in the eighteenth century, were essentially institutions to meet the mortgage credit needs of the landed nobility. Owing to the prevailing dependence of the rural population at that time on the landed aristocracy, and owing to the ties that bound the small estates to the members of that class, the nobility figured to the outside world as the sole exponent of agricultural interests. On the other hand the interests of the landed aristocracy were identified with those of agriculture. For these reasons only the estates of the nobles could be mortgaged in the Landschaften. The mortgage credit association of the Landschaft, working on co-operative principles, was strictly dominated by class ideas and no part in it was allowed, for political and administrative reasons, to the State or the Treasury, or, for reasons of an economic and juridical character, to the peasant class.

The earliest Landschaft established in Prussia, the Landschaft of the Province of Silesia, with headquarters at Breslau, originally extended its zone of activity to the former Province of Silesia and the County of Glatz. The borders of this province underwent considerable alterations in the course of years, as did those of many other provinces where Landschaften were set up, so that the original sphere of activity of the Landschaften does not always coincide with the present one. All the land-owning nobles were members of the Landschaften whether they had received land-bonds guaranteed on their property or not. The Landschaft was thus a compulsory corporation.

The estates which in 1770 made use of the loans of the Landschaft had a value of about 70 million thalers. The mortgage indebtedness in respect to them amounted to 22 million thalers, and the debts contracted by the landowners on promissory notes amounted to a nearly equal sum. The total indebtedness would thus be about two-thirds of the value of the lands, a percentage which at that epoch, when all labour required on the estates of the nobles was supplied by peasants tied to the soil, might be considered fairly high.

There was a change in this situation about a year after the setting up of the Landschaft, so that von Carmer could report to the king on 27 August 1771 as follows: "Thanks to the most benevolent support of Your Majesty, the credit of the Landschaft is now in an extremely satisfactory state. A remarkable number of families who for want of money and credit

were on the brink of ruin are now in a secure position and thoroughly rehabilitated, and will in consequence ever cherish admiration and reverence for Your Majesty ”.

The creditors recognized the complete soundness of the mortgage bonds of the Landschaften and sought these new and valuable securities with ever increasing favour. On the other hand the land-owners could obtain a more economical mortgage credit by its means, and one not subject to withdrawal and thus the credit crisis was well on the way to solution.

The evident success attending the working of the Landschaft of Silesia met with full and wide recognition. Very shortly after the example was followed in other provinces, in Kurmark and Neumark, in Pomerania, in West and East Prussia. With regard to this last we will make a few observations.

The successor of Frederick the Great, by the decree of 16 February 1788, endowed the province with a Landschaft, with headquarters at Königsberg. All the proprietors of noble estates living within the area of the jurisdiction of the Landschaft were members of this credit association, and loans were granted on all such estates whether the owners were of the nobility or of the middle class.

A somewhat wider interpretation was thus given to the term *Rittergüter*: it was considered as including not only the estates actually owned by the nobility, but also such noble property as might have passed by purchase into the hands of the middle class.

After the Peace of Tilsit, and as a result of the political and economic changes occasioned thereby in Prussia, the constitution of the Prussian Landschaft underwent an important modification. Success did not attend the attempts made to raise a foreign loan for the sum necessary to pay the war contribution due from Prussia to France. Nor could the Government consent to the demand made on it to strip itself of the only patrimony at its disposal, the Crown estates, in order to meet a war indemnity. There was no alternative left but to issue, on these Crown estates, Landschaft mortgage bonds. Recourse was thus had, in the first place, to the Landschaft of East Prussia, whose rules, like those of all the other Landschaften in existence, did not admit of dealing with State lands by these methods. The inalienability of these estates, as laid down in a decree of 27 August 1713, made them difficult to mortgage: they could not offer the guarantee which the Landschaft required. To meet this difficulty the legal restriction in regard to the Crown lands was removed by an edict of 17-26 December 1808. Thus it became possible for the representatives of the Landschaft of East Prussia to approve in the course of the winter of 1808 the admission of the State into the credit organization, in virtue of its being the owner of the Crown property in that province. The same decision was come to by the Landschaft of Silesia.

In the same year 1808, the Landschaft of East Prussia introduced another modification into its rules, thereby inaugurating a more extended credit policy. The *Köllmer*, a class of owners of agricultural land intermediate between the nobility and the peasants, in spite of having the right to dis-

pose freely of their lands, had been shut out from participation in the Landschaft. Even though their estates might be of no less extent than those of the nobles they were not admitted to the Landschaft credit. In consequence the price of these lands remained lower than the price of the nobles' estates on which it was possible to raise mortgages. The proprietors of the Rittergüter speculated on this difference in price, and bought up the lands of the *Köllmer* to enlarge their own estates. In 1793, according to a statement made in the *Kriegs und Domänenkammer*, 278 *Köllmer* estates were in the hands of the proprietors of *Rittergüter*. With a view to checking the development of the noble estates to the detriment of the property of the *Köllmer*, these latter made an attempt to institute a credit organization for their estates on the lines of the Landschaften. But this scheme did not meet with the approval of Frederick-William II. In 1908 however the Government proposed that the *Köllmer* should be admitted into the Landschaft. The General Assembly of the Landschaft of East Prussia declared itself in agreement with this proposal, for it was only by so doing that the guarantee in respect to the mortgage bonds issued on the Crown lands could be extended to the *Köllmer*.

The general guarantee of the Landschaft however was only extended to *Köllmer* estates having a value of not less than 500 thalers. The admission of the *Köllmer* to the Landschaft meant that the system of this credit organization had application also to the middle class owners of property that had not belonged to the nobles, and thus the Landschaften by degrees lost their characteristic of being class institutions.

By means of the five Landschaften above-mentioned, the oldest and financially the most important, the eastern part of the State of Prussia, where there was a preponderance of large estates, was provided with a well organized system of land credit.

CHAPTER III.

THE LANDSCHAFTEN AND PEASANT CREDIT.

During the period of agrarian reform in Prussia, various schemes were put forward for organizing peasant mortgage credit, whether by setting up independent Landschaften for the peasants, or by admitting them into the existing Landschaften. But for many reasons in neither direction was there any practical outcome.

So far as the Landschaften were concerned, the peasants' property did not offer a sufficient guarantee for admission into these associations for by the *Landes-Kultur Edikt* of 14 September 1811, a limit was fixed to their indebtedness, it being laid down that they must not be burdened with mortgage beyond one fourth of their value. On the other hand the Government was opposed to the establishment of independent credit institutions for the peasants, being anxious that they should not contract debts too easily. In this way peasant cultivation of the land, which under the new agrarian legislation then in progress had developed more than before on a cash system, was at the same time excluded, as a result of the land policy of the State, from all participation in the organized credit. For the removal of all the obstacles in the way of the use of the Landschaft loans by the peasants, there was needed the complete change that took place in Prussia between 1807 and 1850, and the operation of the Stein-Hardenberg agrarian legislation, which gave full and undivided rights of ownership to the peasants in possession. In 1843 the limit of the loans allowed on peasant holdings was done away with and as a consequence the Landschaft loans could be extended to what were called the *Rustikalgrundstücke*.

On 4 May 1849, a sovereign decree approved the resolution of the General Assembly of the Landschaft of East Prussia held in 1847, deciding that every rural property of not less than 500 thalers in value the yield of which ensured economic independence to the owner, without his carrying on any other occupation, might be authorized as a Landschaft guarantee. The properties meeting these requirements were those of about three hectares in the fertile regions, and those of five hectares in the less productive regions. Admission of landowners to the right of borrowing was necessarily dependent on the acceptance of the regulations and particularly of those referring to the general guarantee of the Landschaft itself. The peasants were admitted as members on an equality of privileges. The general guarantee however only covered those peasant properties on which the Landschaft had actually issued mortgage bonds. The distinction was

given up between the estates of the nobility and peasant holdings, and in granting loans it was not inquired whether the property in question was or was not "noble" property.

On 11 May 1849, the Landschaft of Silesia also admitted peasant properties to participation in loans, though on a different plan from that followed by the Landschaft of East Prussia. The peasants were not admitted to this Landschaft on terms of membership but they became in respect to it as it were debtors who were not bound by any other legal ties to the association. Their properties, which at first had to have a cultivable area of at least a Prussia *Morgen*, were not incorporated into the Landschaft, and peasant owners were not eligible for guaranteed mortgage bonds. In contradistinction to the estates up to then incorporated in the Landschaft those belonging to the peasants were lands not incorporated and the bonds which the Landschaft issued upon them bore the name of "new mortgage bonds". These bonds were guaranteed by a special fund created by the owners of "noble" estates until such time as the guarantee fund required for this purpose amounted to 5 per cent. of the floating mortgage debt. The properties in favour of which loans were granted by means of this issue of new mortgage bonds thus formed almost a distinct association. The maximum limit of the loans was originally fixed at half the value as determined by a local valuation or calculated on the basis of the return of the land-tax, but from 30 October 1872 one third of this value was made the limit. To simplify the working further, on 15 November 1888 the issue of new mortgage bonds, of which there were already in circulation about 50 million marks worth was suspended, and steps were taken to convert them into bonds of a new D issue, so lettered to distinguish it from the issue of A and C mortgage bonds issued by the Landschaft in respect of credit granted to its members. The credit operations in connection with the mortgage bonds D are however carried on substantially on the same principles in relation to the valuation and to the granting of loans as were adopted for the incorporated landed estates. D mortgage bonds, equally with the other bonds of this kind can be employed for investing trust money.

The two Landschaften of East Prussia and Silesia have thus organized the granting of loans to small properties on such lines that the owners are whether directly or indirectly admitted into the organization properly so-called of the Landschaft.

During the second half of the nineteenth century there came into being in the other provinces of Prussia a series of credit associations of the Landschaft type for the purpose of supplying land credit to the peasants (*Rustikalkredit*). In contra-distinction to the old Prussian Landschaften, these had not in any way the character of class organizations and the whole spirit of their constitution was much more democratic.

These new Landschaften were constituted either specially as distinct and self-governing credit associations, as were those of Posen, Saxony, Westphalia and Schleswig-Holstein, or they were grafted, as affiliated institutions, on to the three old Landschaften where peasant landed

property had not been admitted to membership, namely those of West Prussia, Brandenburg, and Pomerania.

In these membership is acquired when the mortgage charge is established on the property serving as security for the Landschaft loans. This gives the membership a personal character, and the admission of the borrower into the credit association is effected by means of a legal or notarial deed. On the contrary in the old Landschaften, as we have seen, membership is acquired by the mere possession of land in the area of the Landschaft's operations.

CHAPTER IV.

THE CENTRAL LANDSCHAFT FOR THE STATES OF PRUSSIA.

About 1860, the mortgage credit of the Landschaften passed through a serious crisis. More remunerative investments offered and capital emigrated abroad, particularly to the United States, or found employment in industrial undertakings or on the Stock Exchange. It was thus withdrawn from agriculture, making credit very difficult to obtain for landed property. To this was added the fact that Landschaft mortgage bonds, though the principles of the system were the same everywhere, actually had different quotations according to the province. Agriculturists receiving their borrowed money in lower-priced bonds were thus losers to a considerable extent. To remove this inequality between bonds and to organize credit institutions of the Landschaft type on a wider economic basis, measures were taken — particularly in view of the great development which was taking place of joint stock mortgage credit banks and their federation in 1870 into the Prussian Central Mortgage Credit Company at Berlin — to federate the separate provincial Landschaften into a Central credit institution. The mortgage bonds issued by the provincial Landschaften were no longer to be exclusively based on local capital, but the principal financial centres of Prussia and especially that of Berlin were to be opened to them. They were also to be rendered available for international circulation, and with this in view the mortgage bonds of the Central Association were printed in English and French as well as in German.

On the basis of rules approved 21 May 1873, nearly all the Prussian Landschaften, the exceptions being those of Silesia and Posen, combined to form a wider association called the Central Landschaften for the States of Prussia. The Landschaft of Schleswig-Holstein, founded in 1895, became a member of this institution, while the Landschaft of East Prussia and the New Landschaft of West Prussia withdrew from the central body. At the present time the credit institutions belonging to this central body are the following :

1. The Landschaft of West Prussia.
2. The Credit Institution for Noble Estates of Kurmark and Neumark.
3. The New Credit Institution of Brandenburg.
4. The Landschaft of Pomerania.

5. The New Mortgage Credit Association for Small Owners of Pomerania.
6. The Credit Institute for Upper and Lower Lausitz.
7. The Landschaft of the Province of Saxony.
8. The Landschaft of Schleswig-Holstein.

Of these eight Landschaften there are two, the New Credit Institution of Brandenburg and the Landschaft of Schleswig-Holstein, that make exclusive use of the mortgage bonds issued by the Central Landschaft, while the others make only a partial use of them.

The Central Landschaft has its headquarters in Berlin. It has the rights of a corporation, the members of which are themselves corporate bodies, that is the provincial Landschaften. By article 3 of its rules, the administration is in the hands of a "Directorate of the Central Landschaft for the States of Prussia" which is the representative of the Central Landschaft in any dealings with third parties, and includes a member of the directorates of each of the affiliated Institutions. Each of these directorates chooses from among its members its representative on the Central Board. Up to the date of the creation of this special administrative body, the Credit Institution for Noble Estates of Kurmark and Neumark at Berlin was charged with the management of its affairs in accordance with Article 6 of the rules. The Central Landschaft is authorized by Government to issue bonds payable to bearer, but the institutions affiliated to it retain their right to issue their own land bonds. The members of the Landschaften have the right to choose whether they will accept in respect to the loans they contract on their estates bonds of the Central Landschaft or bonds of the provincial Landschaften.

Any one of the Landschaften forming part of the Central Landschaft is free to withdraw, if this course is decided on by the body competent so to decide according to its rules. This federation is not, therefore, a compulsory union, but leaves the Landschaften that form it exceedingly free. In spite of these arrangements being so much in the favour of the provincial Landschaften, the Central Association has not attained any great importance. As early as 1870 a tendency to equalization showed itself in the market quotations of the bonds of the provincial Landschaften, and thus one of the principal reasons for the issue and circulation of the bonds of the Central Landschaft lost much of its importance. Besides, the provincial Landschaften are very unwilling to renounce their independence. However the circulation of the land bonds of the Central Landschaft has noticeably increased with the passage of time. It has risen from 2,722,100 marks in 1874 to 552,359,500 marks in 1920. In spite of this the total number of mortgage bonds of the Central Landschaft is throughout equal to about one-sixth of the total number issued by all the Landschaften taken together. Thus that universal Landschaft which was to embrace all the provincial Landschaften or the greater number of them, the ideal of the dreams of Diederich Ernest Bühring, the inaugurator of this type of institution has not up to now been completely realized in the Central Landschaft of Prussia.

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To give a general view of credit institutions of the Landschaft type operating practically exclusively in rural property, we subjoin a list in chronological order according to date of foundation.

Name of the institution.	Year of foundation.	Registered office.
1. Landschaft of Silesia .	1770	Breslau
2. Credit Institution for Noble Estates of Kur- mark and Neumark .	1777	Berlin
3. Landschaft of Pomerania	1781	Stettin
4. Landschaft of West Prus- sia	1787	Marienwerder
5. Landschaft of East Prus- sia	1788	Königsberg
6. Credit Institution for Noble Estates of the Principality of Lune- burg	1818	Celle
7. Credit Association for Noble Estates of Meck- lenburg		Rostock
8. Credit Association for Noble Estates of Cal- enberg-Göttingen-Hil- disheim	25 August 1825	Hanover
9. Credit Association of Wurt- temberg	13 Sept. 1825	Stuttgart
10. Credit Association for Noble Estates of Bre- men	1826	Stade
11. Credit Association for Noble Estates of Sax- ony	1844	Leipzig
12. Landschaft of Posen (1) .	1857	Posen
13. New Landschaft of West Prussia	1861	Marienwerder
14. Credit Association for Noble Estates of the Duchy of Brunswick .	1862	Wolfenbüttel
15. Landschaft of the Pro- vince of Saxony . . .	1864	Halle on Saale

(1) Now outside German territory.

Name of the institution.	Year of foundation.	Registered office.
16. Credit Institution of Upper and Lower Lausitz . .	1865	Gorlitz
17. New Credit Institution of Brandenburg . . .	1869	Berlin
18. New Landschaft for Small Owners of Pomerania .	1871	Stettin
19. Central Landschaft for the Prussian States . . .	1873	Berlin
20. Landschaft of the Province of Westphalia .	1877	Münster
21. Land Credit Union of the Province of Schleswig-Holstein.	1882	Kiel
22. Landschaft of Schleswig-Holstein.	1895	Kiel

Excluding the Landschaft of Posen, there are in Germany at the present time 21 credit institutions of the Landschaft type (2). The longest gap in the establishment of Landschaften was from 1790 to 1918, coinciding with the Napoleonic wars and the war of independence. On the other hand, it was about 1860 that the largest number of new creations took place, at the time, that is, when the difficulties in the way of necessary credit for land formed one of the most serious problems of German state economy.

(2) The Agricultural Credit Association for the ex-Kingdom of Saxony, with headquarters at Dresden, founded as a corporate body according to the old law in 1866, and the Bavarian Agricultural Bank of Munich, a registered co-operative association with limited liability, founded in 1896, are also institutions of the Landschaft type, but both are differentiated by their unofficial character.



PART II.

THE ORGANIZATION AND WORKING OF THE LANDSCHAFTEN

CHAPTER I.

THE ORGANIZATION OF THE LANDSCHAFTEN.

We have so far given an account of the origin of the Landschaften and their spread in Germany; we will now proceed to examine their organization and working, the legal regulations which give to the institutions of the Landschaft type their characteristic form and the economic basis of their operations. For this purpose, we shall avail ourselves particularly of their rules and regulations. In the course of the long period of development of these institutions their rules have undergone considerable alterations. The more recent foundations no longer exactly correspond to the original type. They may be included in the group of credit institutions which we are now studying, but only in so far as they present more or less analogous features to the old Landschaften. We therefore propose to describe the essential lines of the organization of the Landschaften, and only occasionally indicate the special features of particular institutions.

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The Landschaften are institutions based on the co-operative principle. They are public corporations and are under State supervision. Within the limits prescribed by the State the Landschaften are autonomous and manage their affairs strictly on the basis of self-government. The executive body of a Landschaft is the General Directorate (*Generaldirektion*), which represents the institution whether in relation to the State authorities or in relation to individuals, especially in legal matters. There are also a Select Committee (*Engerer Ausschuss*) and, as the supreme administrative organ, the General Assembly (*Generalversammlung*).

1. *The General Directorate of the Landschaft.* — This differs in the old and new Landschaften. Except in the case of the Landschaft of East Prussia, the former have a decentralized constitution and are divided into sections or separate Landschaften for the different principalities, each with its own Local Directorate. This decentralized system is carried out especi-

ally in the Landschaften of Silesia and Pomerania, which are composed the one of nine Principality Landschaften, the other of four. These are again divided into District Landschaften. This arrangement follows the lines of the ancient administrative and political divisions of these two provinces. The Principality Landschaften have their own working capital.

The General Directorate of the Landschaft is a board consisting of of (1) a Director-General of the Landschaft and, where they exist, the directors of the local Landschaften (as in the Landschaften of East Prussia and Pomerania), (2) the General Councillors of the Landschaft, who are members with the right to vote, and (3) the General Syndics (*Sindici*), who have the right to speak but not to vote.

1. The Director-General must live in the province which forms the area of operations of the Landschaft. He must be a person inspiring confidence, holding a certain amount of landed property himself, and fully acquainted with the agricultural situation of the province. He is the executive officer of the Directorate and conducts all the current business. In the Landschaft of Silesia, only a Silesian nobleman who has not mortgaged his estates to the extent of more than half their value, whose character is above reproach, who has an adequate practical acquaintance with agricultural matters and who has already been at any rate a senior member (*Landesältester*) of the Landschaft, can be chosen for this office. The Director-General is elected by the members subject to the approval of the State.

2. The work of the Councillors of the Landschaft consists chiefly in making arrangements for land-valuations, as well as in examining their results, and in supervizing the management of estates placed in the hands of administrators. They must also see to it that estates on which mortgage bonds have been issued do not lose their value in consequence of bad management, deterioration of buildings, cutting down of trees, etc. The Councillors are further expected to perform all functions delegated to them by the Directorate.

3. The Syndics of the Landschaft must have all the qualifications necessary for judicial office. What mainly lies within their competence is the pronouncement of considered opinions on legal matters. At the request of those concerned, they must receive and deliver the documents which required to be tendered for the purpose of registration of loans in the form of mortgage bonds, as well as the documents required to facilitate the payment of instalments of mortgage loans. These documents are regarded as notarial documents.

The officials with administrative functions are elected in the district assemblies (*Kreisversammlungen*) of the landed proprietors. The employees of the Landschaft have the standing of State employees. They are sworn in and are subject to State discipline. Until the post-war financial legislation they, like Government officials, benefited by reductions on the communal taxes. The higher officials are nominated by the Landschaft and are confirmed in office by the State.

II. *The Select Committee.* — The Directorate of the Landschaft carries on its business under the control in the first place of the Select Com-

mittee. This Committee meets every year on a date fixed by the Director-General. It is composed of delegates elected by the members and of the Directors of the Landschaft. The Director-General acts as Chairman. The Committee receives the report of the Director-General of the Landschaft as to the general position and as to the important events of the past year. It considers the position as regards the liabilities resulting from the issue of mortgage bonds, the valuations of estates, the foreclosures which are being carried out, the rise and fall of the prices of mortgage bonds on the Stock Exchanges, the auditing of the accounts, the estimates for carrying on the Landschaft during the coming year, etc. The Directorate of the Landschaft is bound to supply all information asked for by the Committee. Ordinarily, the Committee has the power of convoking the General Assembly.

III. *The General Assembly.* — The General Assembly is a body representative of the members of the Landschaft and has the final control of its administration. It is composed of deputies chosen by the members and of the Directors of the Landschaft, and it meets under the presidency of a Commissioner appointed by the State. Schemes and proposals to be presented to the General Assembly are drawn up by the Directorate of the Landschaft, and in the first place laid before the Select Committee, which with the assistance of the Directorate decides which of these proposals should be referred to the General Assembly. The General Assembly must consider proposals relating to the credit system and its improvement, and must take decisions on this subject. It receives the report of the Directorate on all that has taken place since the last meeting which affects the Landschaft or the general interests of the members. It must also pronounce on possible changes in the constitution. The decisions of the General Assembly require the approval of the public authorities when they deal with matters outside the business management of the Landschaft (1).

(1) With regard to the provisional regulations for the Landschaft of West Prussia and of the New Landschaft of West Prussia, as necessitated by the Treaty of Versailles, the *Landtag* has decided, by the Decree of 27 December 1921, that in these Landschaften all matters which are within the competence of the Directorate, the Select Committee and the General Assembly shall be entrusted to an Administrative Council nominated by the First Civil Senate of the Higher Court of Marienwerder and consisting of a chairman and two members. The Senate can, for grave reasons, suspend the Administrative Council. In order to satisfy the claims of the holder of the mortgage bonds of these two Landschaften, the Administrative Council may utilize all the funds of the Landschaften, without regard to the purposes to which they had been assigned. (*Preussische Gesetzsammlung*, No 59 Berlin, 30 December 1921).

CHAPTER II.

THE WORKING OF THE LANDSCHAFTEN.

§ I. THE MORTGAGE BONDS.

To obtain credit for their members, the Landschaften issue mortgage bonds carrying interest, payable to bearer. The issue of these bonds is based on the estates mortgaged in favour of the Landschaften. To ensure these bonds against repudiation, the total value of those in circulation must not exceed the total value of the mortgages held by the Landschaft. To this end, in the old Prussian Landschaften, the mortgage bonds were issued on the security of specific properties; these were called *Güterpfandbriefe*. The borrower entered into an engagement with the investor and the Landschaft guaranteed to the latter the fulfilment of the engagement. But this system was later abandoned (in 1872 in the Landschaft of Silesia, in 1875 in the Landschaft of Pomerania, and so on). This came about for sundry reasons and among others in order that accidents and local contingencies might not affect the bonds, and that these latter might gradually become ordinary negotiable securities. The registered mortgages and the bonds thus come to be considered as two totally different things. In the old Landschaften and in the institutions arising out of them there are special Committees of Supervision to prevent the bonds issued from exceeding the mortgages. This body has not been set up in the new Landschaften where the Directorate or the staff is made responsible for the maintenance of the equilibrium between the mortgages and the land-bonds.

These bonds are divided into different classes, according to their rate of interest, their series, or the letter they bear. In the Landschaft of Silesia, for example, the bonds bearing the letter A were issued to replace the original bonds giving the particulars of the estates; those bearing the letter C are bonds issued for the granting of credits up to two-thirds of the amount of the valuation, and as representing the difference between the market price and the price as issued; those bearing the letter D are bonds issued in 1888 for the purpose of granting loans on estates not incorporated and on peasant properties, in place of the "new" bonds issued for these purposes since 1849 (1).

(1) The mortgage bonds bearing the letter B were issued by the Royal Credit Institution of Silesia founded in 1835 in order to extend agricultural loans from half to two-thirds of the amount of the valuation, as the Landschaften retained the principle that the guarantee must be double the sum lent. These bonds were by secured a second mortgage, which took

The form under which the bonds issued are guaranteed varies markedly between the old and the new *Landschaften*. In the old Prussian *Landschaften*, the members are jointly liable for the mortgage bonds, it being understood that a general guarantee exists of all the landed proprietors belonging to the *Landschaft*. The properties involved in the collective guarantee in the *Landschaft* of Kurmark and Neumark and in that of Pomerania so far as the territory of New Pomerania is concerned, are all the properties on which loans have actually been made by means of the issue of bonds. In the *Landschaften* of East Prussia, of West Prussia, of Silesia, of Pomerania (so far as Further Pomerania is concerned) the properties involved in the guarantee are all the estates on which loans can be made by the issue of mortgage bonds, even if the owners have not actually obtained any loan from the *Landschaft*.

In the course of time the conception of the land which could serve as guarantee for the loan was considerably enlarged. The admission of a property into the *Landschaft* depends at present on its value and the minimum of value is fixed at a comparatively low value; in general the smallest area capable of serving as a guarantee for *Landschaft* loans is taken as being the area which allows the owner to draw his subsistence from it without carrying on any other occupation. In the credit system of the *Landschaften*, therefore, a large number of the estates of the province could be admitted to serve, jointly and severally, as guarantee for the liabilities of the *Landschaft* towards the holders of the mortgage bonds. And in this way the collective guarantee confers an absolute security on the bonds of the old *Landschaften*. The new *Landschaften* have not been able, for legal reasons, to adopt the system of the collective guarantee. They provide a secure basis for their bonds by the creation of special guarantee funds and reserves, by the fund for the extinguishing of debts, and by the obligation of the members to make supplementary payments, within certain limits. The guarantee in the case of these *Landschaften* only involves those estates of which the owners, at the time of contracting a loan, have signed a notarial deed declaring their membership of the *Landschaft*, and have undertaken to conform to all its rules.

As sound business management characterizes all the *Landschaften*, the investing public does not attach great importance to the kind of guarantee of the mortgage bonds. The market-price is nearly the same, whether the bonds are of the old type or the new.

The *Landschaft* mortgage bonds are recognized as *trust* investments, and in consequence of this the *Landschaften* can attract important capital representing the substance of widows and orphans, which is usually invested for long periods. In 1899 when the new civil code and the new regulations concerning the rights of minors came into force, there was

precedence immediately after the mortgage held by the *Landschaften*. But on the *Landschaft* loans being extended to two-thirds of the value of the lands, the Institution was closed, in 1850, and the bonds issued up to that time, for a sum of a little more than 5,000,000 thalers, were paid off by instalments.

no alteration made as regarded the special concession made to institutions of the Landschaften type. On the other hand, a complete recognition for the purpose of investment of trust funds has not yet been accorded to the bonds of ordinary mortgage banks.

Originally the holder of mortgage bonds could demand repayment every half-year. The Landschaft system of credit being new, it was thought that there would be no purchasers if this right of realizing the bonds were not accorded. On the other hand, the Landschaft cannot call in its loans to the borrowers. During the Napoleonic wars, when the market-price of the mortgage bonds fell below par the holder's right to repayment was the cause of serious losses to the Landschaften, as repayment had to be made at par. Towards 1830 the right to repayment up to that date allowed to bond-holders was completely abolished. On the side of the Landschaft, the bonds can be redeemed in certain cases provided for by the rules, as, for example, for the repayment of loans, for the formation of sinking fund, for the conversion of bonds into others with a lower rate of interest, etc. Mortgage bonds in respect of which the Landschaft has given notice of its intention to redeem must be given up within the specified period, in good condition, for circulation and with the coupons that have not matured.

§ 2. VALUATIONS AND LOANS.

In the Landschaften the security of the bonds issued depends upon the correctness of the valuations made and the cautious adjustment of the loan to the value of the property. In the valuing of property for mortgage purposes, the Landschaften follow certain well established rules, and very accurate principles of valuation, with the aim of meeting the credit needs of the agriculturists as fully as possible, without endangering the security of the lending body.

Such criteria of valuation can be the more easily applied by the Landschaften in that for the most part they limit their field of operations to certain provinces and in consequence to properties that in the main are under the same general economic conditions. The valuation is carried out by persons forming part of the Landschaft organization and specially selected from its staff as having an exact knowledge of local conditions. The valuations when made are subject to revision by a committee consisting of experts, familiar with the circumstances of the locality. The valuation must be approved and the proportion of the loan fixed by the Directorate.

The valuation of the properties is effected in the form of an estimate either of yield or of capital value. Under the system of valuation based on yield the gross yield of the estate is first calculated, then the cost of farming it: the net yield is obtained by deducting the latter. On the basis of the current rate of interest, say 5 percent., this can be capitalized, that is multiplied by 20, and in this way the value of the estate is arrived at on which the loan is to be contracted. Under the system of direct valua-

tion of the capital value of an estate, such value is established by a direct valuation without taking into account the net yield. Although a somewhat rough approximation only is obtained by this method, the *Landschaften* prefer it, as when it is applied by agriculturists living in the same district the determination of the value of the estate can more easily be arrived at.

Since 1864, the year from which the introduction of the land tax into Prussia dates, in consequence of the fact that a valuation of every estate was necessitated by the measure, the method that came more and more into force was that of the valuation of the estates on the basis of the net yield as calculated in view of this tax. The value of the estate is not, in this case, expressly determined, but the amount of the loan which can be granted is fixed on the basis of a multiple of the net yield as estimated for the land tax. This multiple is uniform for all the estates of the district (*Kreis*), but varies in the different districts from 20 to 25.

The advantage of this system to the borrower is that there is no need for a special valuation involving loss of time, and that only a minimum expense is incurred. The first *Landschaften* to adopt the net yield as estimated for the land-tax as the basis for the valuation of estates and for fixing the amount of the loans, were the *Landschaft* of the Province of Saxony, the *Landschaft* of the Province of Westphalia, and the Land Credit Union of the Province of Schleswig-Holstein. Several other *Landschaften* afterwards followed their example. Unless the net yield as estimated for the land-tax reaches a certain minimum, no loan will be granted on the property, but this minimum differs somewhat in the different *Landschaften*; it is fixed as low as possible, especially for the granting of loans on small properties. A special valuation is carried out by the *Landschaften* only in the cases when the loan required exceeds the total resulting from the application of the fixed coefficient of multiplication to the yield as estimated for the land-tax.

In accordance with the rules, every member of the *Landschaft* has the right to obtain mortgage loans on his property. A request for a loan cannot be refused by the *Landschaft*, as may happen in other land credit institutions, mortgage banks, etc. Nor does the *Landschaft* as a rule go into the question of the object for which the loan is required.

Not only must the net yield as estimated for land-tax be not less than the minimum fixed, but the following conditions must also be fulfilled before a loan can be effected. The property must be situated in the province in which the *Landschaft* is operative. It must be actually in the hands of the owners, with a clear and undisputed title. Undivided shares in property held in joint ownership by several persons cannot be treated as a basis for granting loans. Peasant holdings must not be burdened with charges surviving from their former feudal dependence on the landed nobility, such as dues payable in kind, rent charges and other dues diminishing the net yield.

At first, the *Landschaften* used to lend half the estimated value of the estates, and they then held double the value of guarantee for their

liabilities in respect of the bonds issued. At the present time this sum has been raised, in nearly all the Landschaften, to two-thirds of the value of the property. For the purpose of extinguishing mortgage debts, as will be explained later, a loan of as much as five-sixths of the value of the property will be granted, provided that the borrower undertakes to proceed to the extinction in conformity with the Law of 1906. The loan made by the Landschaft must be registered in the Land Register, with the entry of the first mortgage. In view of the registration of the loan in the Land Register the debtor must make a declaration, which is taken by the syndic of the Landschaft, in the form of a notarial or judicial document by which on mortgaging his land in conformity with the rules, he admits the Landschaft to be his creditor for a sum corresponding to the value of the mortgage bonds to be issued.

The loans are granted in mortgage bonds to the nominal value. If the price of the bonds with which the total of the loan is to be paid is above their face value, the Landschaft is empowered to pay to the borrower, in place of bonds, their nominal value in cash, and to sell the bonds on its own account. The profit thus realized is paid into the funds of the Landschaft.

A Landschaft loan is not usually paid before the bonds are issued, but when the negotiation of the loan proceeds along normal lines, advances may be made to landed proprietors from the funds of the Landschaft. If the market price of bonds given by the Landschaft in payment of the loan is below par at the time of the request for the loan, the majority of the Landschaften at the request of the borrower grant an additional sum in cash, representing all or a part of the difference between the market price and the face value (*Kursdifferenz-Zuschuss*).

The procedure in respect to this differs somewhat in the different Landschaften. In the Landschaften of Silesia and of Pomerania this supplementary loan is granted by itself, quite separately from that represented by the land bonds handed to the borrower. The owner of the land has to pay on this loan an interest of five per cent. and additional amortization payments towards its gradual extinction. As security for the additional loan, a special mortgage on the property must be registered immediately after the registration of the mortgage which serves as guarantee for the debt represented by the bonds received. The procedure in the Landschaft of East Prussia and in the Credit Institution for Noble Estates of Kurmark and Neumark, on the contrary, is as follows: the loan in respect to the difference between the price of the bonds and their face value is added to the loan granted in bonds, but thereupon the debtor undertakes to pay, until this supplementary debt is cleared off, higher annual charges than the ordinary ones covering only the interest on the loan granted in bonds and the normal amortization payments. The sums necessary for such advances are either paid out of the owned capital of the Landschaft, if this exceed 2,550,000 marks, or are supplied by its bank. In the Landschaft of East Prussia, five per cent. interest is charged on this debt and it is gradually repaid by means of annual charges (payable

in two half-yearly instalments) equal to one per cent. of the total of the loan granted in mortgage bonds, and also by means of amortization payments. In the Central Landschaft this supplementary loan is paid in cash out of its available funds to an amount decided by the Directorate. This amount is afterwards recovered from the Provincial Landschaft. The payment in respect of the difference in price cannot exceed ten per cent. of the nominal value of the bonds offered by the Central Landschaft. If the mortgage bonds are above par, the holder of them obtains the difference.

The sale of bonds and the obtaining of loans on property have been greatly facilitated by the banks and loan institutions set up in connection with most of the Landschaften. These institutions, representing an extension of the original plan of the Landschaften, were founded during the second half of last century as a consequence of the constant increase in their development and activity. The first of these banks was set up in 1848 in connection with the Landschaft of Silesia. Next came the Bank of the Landschaft of East Prussia, founded in 1869; the Loan Bank of the Credit Institution for Noble Estates of Kurmark and Neumark, founded in 1873; the Loan Bank of the Landschaft of West Prussia, the Landschaft Bank of Posen, etc. The last to be set up was the *Landschaftliche Bank of Schleswig-Holstein*, which was opened 1 April 1920, as the result of a Decree of the Minister of State, dated 28 September 1918. These institutions possess in nearly all cases the rights of corporate bodies, and are endowed by the Landschaften with a foundation capital varying from two to five million marks. The Landschaften are not answerable for the liabilities of these banks beyond the limits of these endowment funds. In addition to their principal task, that of facilitating the sale of mortgage bonds, these banks engage in banking business of every kind, except that of a speculative nature.

§ 3. AMORTIZATION OF LOANS.

To adapt them to the requirements of agriculture, the Landschaft loans are not repaid in full at any one time but are instead discharged by means of the payment of annual sums. They are repaid, that is, by the method of amortization. The old Prussian Landschaften did not however provide in their system for an arrangement of this kind. The "sinking fund" which was to be established on Frederick the Great's plan in the Landschaften was regarded as a guarantee fund for the mortgage bonds and it was to be made up not of agriculturists' instalments of repayment, but of the savings realized on the interest accruing to the Landschaften (1). The principle of amortization, of extinction of mortgage debts by means of annuity charges, was introduced into the Land-

(1) The dangers of a credit system without amortization had already been pointed out in 1826 by William Humboldt, as Mauer has shown.

schaften about 1830. But at that time the adoption of this method met with lively opposition on the part of the mortgage debtors and it could only be introduced to a very limited extent.

The procedure as to this repayment by instalment varies in detail in the different Landschaften but the main object is always the same. It is a question of making it possible for the debtors to free themselves gradually in the course of a considerable lapse of time from the mortgage debts burdening their estates. The following arrangements are characteristic of the system of amortization that prevails in the Landschaft of East Prussia and in their broad general lines resemble the systems adopted by the other Landschaften. Mortgage loans up to half the value of the property need not be amortized, and the same holds good of loans which do not exceed 20 times the net yield as estimated for the land-tax. Loans in the form of mortgage bonds to an amount exceeding half but less than two-thirds of the value of a property can only be granted if the owner expressly undertakes to extinguish the amount of the loan that is in excess of half the value of the property by paying annually one-half per cent. of the total of the loan. In the event of a loan being granted up to five-sixths of the value of the estate, a further amortization takes place of two per cent. on the amount in excess of two-thirds of the value. Amortization payments must be made each half year at the same time as the interest due on the loan. These payments are shown, for each property, on a special amortization account.

When five per cent. of the original debt has been repaid in this way, the debtor may apply for the extinguishing of the portion of the capital repaid, by the means of the redemption of a corresponding number of the mortgage bonds. The owner may then apply for a fresh loan to the extent of the amount redeemed, that is to say in the proportion of five per cent. In the new Landschaften, as for example in those of Westphalia and Saxony, the debtor has the right to demand a loan and to use the sinking fund in this way if he has already paid off ten per cent. of the original debt. In these cases, as in the majority of the Landschaften, the obligation to pay off the debt is limited. The amortization payments are not indefinitely carried forward to the reduction of a debt, but form a fund on which the debtor can draw and which has for him something of the advantage of a compulsory savings bank. It thus sometimes happens that the sinking fund is completely used up. This is what occurred in 1886 in the Landschaft of East Prussia.

The sinking fund is an essential accessory to the mortgaged estate, and is transferred with it to every new owner: account is taken of it in the event of a sale of the property.

Besides the payment of interest and sinking fund, the debtor must, as a rule, meet certain other charges, some of which are annual charges, as for example the contributions towards expenses of administration (*Quittungsgroschen*), and some are paid once for all, such as entrance fees, the cost of the deeds (*Promillegelder*), stamp duty, etc. All these charges are paid into the funds of the Landschaft. Taken together they only

amount to a very small increase on the interest chargeable on the loan. On the other hand any balance the Landschaften may have goes directly or indirectly to the benefit of the members.

§ 4. THE POWER TO CALL UP LOANS.

A loan may be called up in cases where, in consequence of deterioration of the property, diminution of stock, or neglect to insure the buildings according to the rules, excessive disafforestation, etc., the loan is no longer covered by the value of the property. The Landschaft cannot require land-owners to reimburse the loans granted to them, so long as they fulfil their obligations in accordance with the rules and the terms of their agreement. In the Credit Institution for Noble Estates of Kurmark and Neumark, the Directorate is empowered to refrain from proceeding to call in a loan, if it appears on enquiry that the part that could be called in is covered by special funds. Further, in the event of a forced or voluntary sale of the property (unless the sale is taking place between the owner and his lineal descendants or immediate progenitors, or between brothers or co-heirs or the purchaser has the legal right of succession) the Credit Institution is empowered to have an inspection of the property carried out at the owner's expense, and to make the retention of 85 per cent. of the mortgage loan subject to defined conditions. If these conditions are not observed, the repayment of the sum can then be claimed. Letting the property on a lease is only allowed by consent of the Landschaft. Generally speaking, the repayment of the loan must be made, according to circumstances and in the various Landschaften, immediately or within three or six months from the date of the notice to repay.

The debtor can discharge his debt at any moment by repayment of the capital that he has borrowed. The repayment is effected by returning to the Landschaft mortgage bonds with the coupons that have not matured attached, such bonds to be of a total nominal value equal to the amount of the loan, and to bear a rate of interest equal to that of the bonds issued to the borrower at the time the loan was granted.

The debt can also be liquidated by payment of cash up to the nominal value of the bonds. In the Landschaft of Silesia, the debtor who wishes to effect repayment must declare his intention to the Landschaft of the Principality seven months in advance, as it is also necessary to give notice in advance to the holders of the land bonds. The debtor must give caution-money equal to one-third of his loan, in mortgage bonds, in Prussian State bonds, or in cash, as guarantee of probable expenses, and then at the expiry of the time, must pay in cash to the Landschaft of the Principality or, if so advised, to the Directorate of the Landschaft the nominal value of the bonds to be redeemed. If the payment does not take place when due, the Landschaft must procure and advance, on the account of the debtor thus in arrears, the sum necessary for the purchase of the bonds that are to be withdrawn from circulation. The Land-

schaft will keep back out of the caution-money the interest and the total expenses, and when the debtor has paid his debt, the remainder of the caution money will be repaid.

If the debts in mortgage bonds, burdening a property, are not fully but only partially paid off, the decision as to which of the bonds relating to the property in question are to be withdrawn is usually effected by drawing lots. This unless there exist any special reasons, other than the mere preference of the landowner who is applying to make repayment, which render necessary the redemption of any particular bonds issued on the property in question. In this latter case, the redemption of these bonds, without resorting to lot, is considered justified.

All capital paid in as repayment of loan must be employed in buying up bonds of a corresponding amount, of the same kind and bearing the same rate of interest as those that were issued on the occasion of the loan which is being repaid. The Landschaft must therefore set to work in good time before the due date of repayment to obtain delivery from the holders of the bonds that are required for cancellation when the debt is repaid. The bonds given up are cancelled in the list of mortgage bonds, and note is taken of the cancellation in the Landschaft Register. The Directorate of the Landschaft then stamps these bonds as cancelled, and a Syndic sees that they are burnt.

§ 5. SEIZURE OF THE ESTATES OF DEFAULTING DEBTORS.

In order that the Landschaften may gain the full benefit of the rights that belong to them in accordance with their rules an important privilege has been conceded to them in the matter of the seizure of the estates of defaulting debtors.

By an exception to the rules of common law, the Landschaften are empowered to proceed at once and on their own account to the seizure of the estates of debtors whose payments of interest or of borrowed capital are in arrears, without notice or an order of court being necessary. During the carrying out of the seizure of property on which a loan has been granted, the Landschaften are not even expected to apply for the presence of a magistrate. Everything is left absolutely to their discretion. The Royal Decree of 16 February 1788 thus pronounces in regard to the Landschaft of East Prussia. "We ordain that in future not only all the seizures of estates of the nobles of the province of East Prussia shall be executed by the Landschaft and by its Commissions, and all seizures authorized by our Government and by the Tribunal, as also by other local magistracies, shall be carried out by the Landschaft, but that also all property placed up to now under the administration of the Chamber and intended to serve as security for loans in the form of mortgage bonds shall immediately on demand be handed over to the Landschaft." By the law of 3 August 1897 relating to seizure on the application of credit institutions of the Landschaft type, the right of seizure was enlarged in scope, and extended to the new Land.

schaften. The Landschaft is empowered to carry out on its own account the seizure of the property of the debtor, or to take compulsorily under its own administration the estate on which the loan was granted, or to call for a legal compulsory sale of the said estate.

Compulsory administration requires an order from the Directorate of the Landschaft. This latter issues instructions to a committee or representative of the Landschaft, with the aid of a syndic, to proceed with the compulsory administration of the estate. An administrator is then nominated by the Directorate and sworn and the Land Valuation Office is at the same time requested to enter in the Land Register the fact that the estate is being compulsorily administered. When the estate is handed over to the administrator, an exact statement is drawn up setting forth its nature and the kind of use to which up to that time the land has been put, the property affected by the seizure, the rights over the revenue of the estate appertaining to third parties, etc. It is both the right and the duty of the administrator to take all necessary steps to maintain the estate in good agricultural condition, and to put it to proper use. At the end of each financial year he must present a report to the Landschaft on the management of the estate, on the expenditure of the sums set apart for putting it in order and on the results of that expenditure, and must also state in the report whether in the event of letting the estate, a better yield could be drawn from it than by administering it directly. The expenses of administration and costs of procedure are subtracted from the profits of the working. Compulsory administration is brought to an end when the claims of the Directorate of the Landschaft are satisfied.

§ 6. FORCED SALES.

The Landschaften can make good their mortgage claim, not only by seizure, but also by sale by auction of the estate on the security of which the bonds were issued. In that case they are expected to call in the assistance of the law. Judicial sale by auction is undertaken by the Landschaft when in its judgment repayment of the advance in respect to the estate in question cannot be obtained by any other means. The courts are expected to order this forced sale on the application of the Landschaft without taking evidence. If after proceedings for the forced sale of the estate have been initiated the acting Tribunal takes measures to ensure its proper management and if such measures involve some expense, the Landschaft is empowered to advance the necessary sums, so far as the estate revenue is not sufficient to meet the expenses. Advances thus made must be liquidated at the time of the sale as costs of procedure. Within the period fixed for the seizure the Directorate of the Landschaft must take care that all its claims are satisfied. The liquidation of all the credits in respect of capital lent under the form of land-bonds, of interest or of costs, cannot be interfered with by the opposition that may be raised by other persons interested. These have the power to make good their claims against the

Landschaft, after payment has been effected, by bringing a suit against it. After the division of the proceeds of the sale have been made, the estate is made over to the purchaser, a proceeding in which both the Tribunal and the Landschaft take part.

These legislative provisions and the strict nature of the organization of the Landschaften impart to them a character of solidity, reflected in the results they achieve.

CHAPTER III.

THE ISSUE AND REDEMPTION OF MORTGAGE BONDS.

§ I. THE BONDS IN CIRCULATION.

The amount of the mortgage bonds in circulation, which is the measure of the activity of the *Landschaften* as credit institutions, has greatly increased in the course of the 150 years of their existence. So as to give a general view of this increase, we have shown in Table I, in so far as the figures are available, the bonds issued by all the *Landschaften* from the date of their formation up to 1920. The *Landschaften* are arranged in chronological order of their formation except that immediately after the old Prussian *Landschaften*, the institutions depending on them and of more recent origin will be found. This method has been followed in order to bring into clearer relief the importance of the *Landschaften* of the nobility as compared with that of the *Landschaften* intended to be of use to the small rural owners (I-VIII). The three Institutes of Hanover (IX-XI) form a group apart. Next come the new *Landschaften* (XII-XVII) and then the four *Landschaften* operating outside Prussia (XVIII-XXI). The bonds of the Central *Landschaft* for the State of Prussia have been added to those of the provincial *Landschaften* applying for their issue, and in consequence they are included in the general total of the circulation of bonds (XXII). However their total has been shown separately (XXIII), next to the general total.

The methods of book-keeping and the dates of closing the financial year vary very much in the different *Landschaften*. This sometimes makes the compilation of statistics difficult. The *Landschaft* of Silesia for example, closes its year on 31 March; that of the Credit Institution for Noble Estates of Kurmark and Neumark ends with the end of the calendar year; that of the *Landschaft* of Pomerania on 24 June; that of the *Landschaft* of West Prussia on 20 May, while the others adopt other dates. It is only by taking these circumstances into account that comparisons can be made and deductions drawn as to the working of the different *Landschaften*.

As is seen from Table I, it is the oldest of the Prussian *Landschaften*, that of Silesia, which holds the first place. The mortgage-bonds in circulation increased almost without a break, and in 1920 it reached in round figures three-quarters of a thousand million marks (723,834,165 marks) representing more than a fifth of the total mortgage bonds of all the *Landschaften*. Of the bonds of this *Landschaft*, "A" bonds amount to 368,743,450 marks, "C" bonds to 102,471,800 marks, "D" bonds to 231,064,950 marks, and finally the original bonds, of which there are fewer each year, amount to 21,553,965 marks.

The Landschaft of East Prussia holds the second place. The mortgage bonds in circulation before the War had reached more than half a thousand million marks. The War brought about an almost complete cessation of this development. In 1920, the then value of the bonds in circulation was 512,127,525 marks representing one sixth of the total. We have not included in this sum the four per cent. bonds of the Landschaft of East Prussia intended as credit in view of land improvements, issued moreover on a different basis from that on which the other land bonds rest. On an average the amount of these bonds in the years 1910 to 1920 was 600,000 marks a year. The Landschaft of Posen would come third, but its place is now taken by the Landschaft of Pomerania, with a total of 324,657,200 marks in 1920.

Among the new Prussian Landschaften that of the province of Saxony occupied the first place with 321,208,575 marks in 1920; there follow in decreasing order the New Landschaft of West Prussia, the New Landschaft of Brandenburg, etc. The lowest place is occupied by the Credit Institution of Upper and Lower Lausitz, with a total of mortgage bonds practically unchanged during a decade of little more than one quarter of a million marks.

The new Landschaften, which sprang up as credit institutions affiliated to the original Landschaften, have developed very variously, and the relation between their position and that of the organizations from which they derived their existence is, in the different provinces, very characteristic. Thus the new Landschaft of West Prussia has had so marked a development that early in the century the bonds in circulation not only equalled but actually surpassed in amount those of the old Landschaft of West Prussia. The total amounts of the bonds in circulation in 1920, were 145,771,155 marks for the old Landschaft, and 266,482,570 for the new: the latter has thus nearly doubled the figure of the former. The relation between the old Landschaft of Pomerania and the new is very different, since the mortgage bonds in circulation amounted respectively to 324,657,200 marks and 32,391,700 marks, a ratio of ten to one. An intermediate situation presents itself as between the Credit Institution for Noble Estates of Kurmark and Neumark and the New Credit Institution of Brandenburg. In 1920 the mortgage bonds in circulation were 207,636,020 marks for the former and 135,681,100 marks for the latter, so that the difference between them was not great.

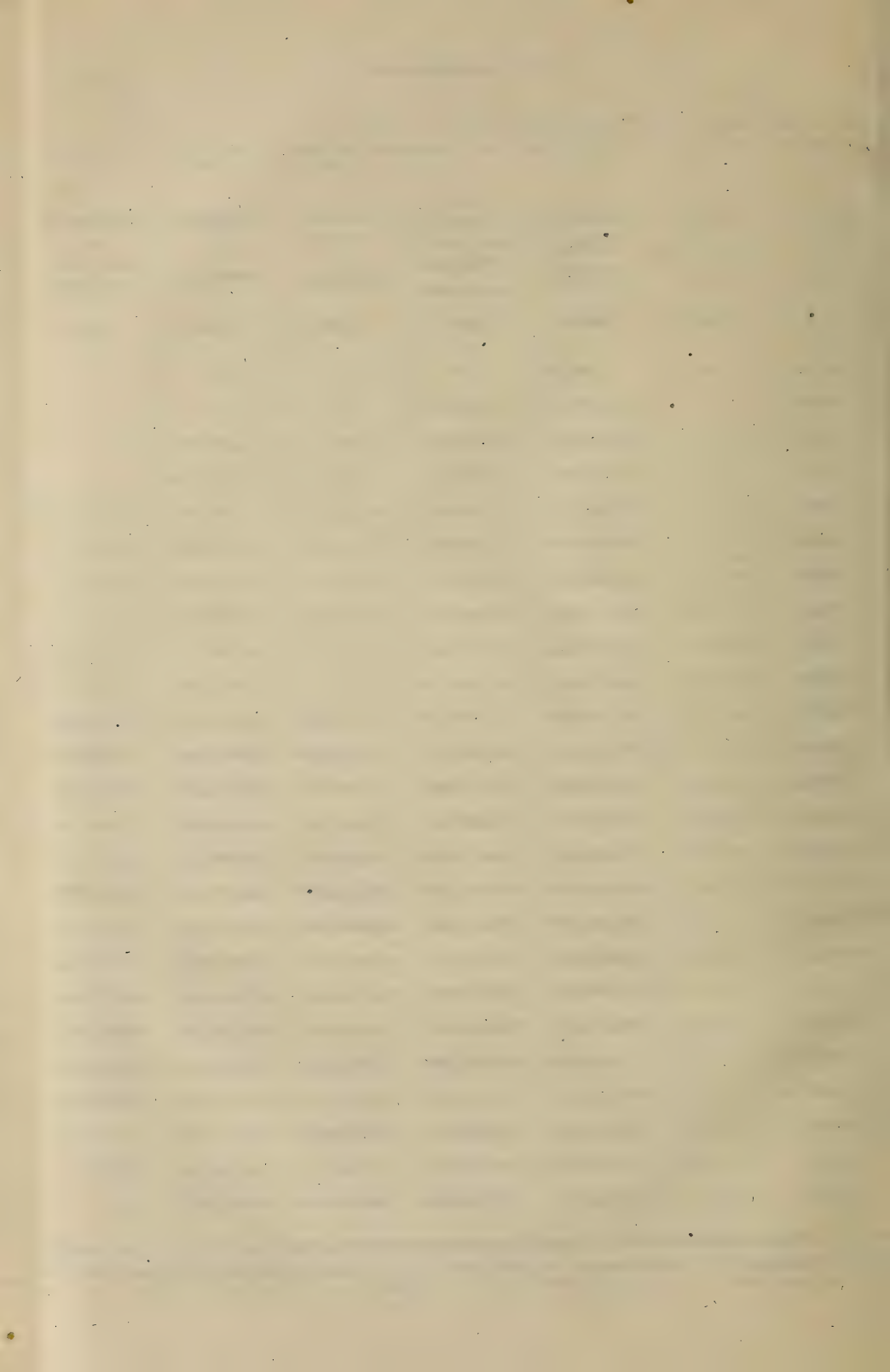
The causes of these differences in development of the different Landschaften are of various kinds. The decrease in the mortgage bonds of the Landschaft of West Prussia must be attributed chiefly to sums repaid by the Royal Colonization Commission and by the Administration of the Crown Lands, which between 1895 and 1919 amounted to 35,241,655 marks. Moreover a number of estates in the department of Bromberg have been mortgaged in favour of the Landschaft of Posen which had a more advantageous system of valuation. In regard to the activity of the New Landschaft of Pomerania, it will be seen that during its first twenty years the amount of bonds issued was comparatively small. Its first constitution dated

TABLE I. — Circulation of the Mortgage Bonds of the German Landschaften from 1770 to 1920. *

Year	I Landschaft of Silesia	II Credit Institution for Noble Estates of Kurland and Neumark	III New Credit Institution of Brandenburg	IV Landschaft of Pomerania	V New Landschaft for Small Owners of Pomerania	VI Landschaft of West Prussia	VII New Landschaft of West Prussia	VIII Landschaft of East Prussia	IX Credit Institution for Noble Estates of the Principality of Lüneburg	X Credit Association for Noble Estates of Calenberg- Göttingen- Hildesheim	XI Credit Association for Noble Estates of Bremen	XII Landschaft of Posen	XIII Landschaft of the Province of Saxony	XIV Credit Institution of Upper and Lower Lusatia	XV Landschaft of the Province of Westphalia	XVI Land Credit Union for the Province of Schleswig- Holstein	XVII Landschaft of Schleswig- Holstein	XVIII Credit Association for Noble Estates of Mecklenburg	XIX Credit Association of Württemberg	XX Credit Association for Noble Estates of Saxony	XXI Credit Association for Noble Estates of the Duchy of Brunswick	XXII Total	XXIII Central Landschaft Mortgage bonds included in total
	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks	Marks
1770	66,090	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	66,090	—
1780	34,428,615	1,728,150	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	36,157,065	—
1790	50,884,200	11,293,500	—	15,312,075	—	—	—	(3) 972,450	—	—	—	—	—	—	—	—	—	—	—	—	—	78,462,225	—
1800	67,957,505	11,210,550	—	18,437,850	—	—	—	20,646,150	—	—	—	—	—	—	—	—	—	—	—	—	—	118,252,055	—
1810	88,307,710	11,092,050	—	21,601,125	—	(1) 20,732,400	—	30,446,700	—	—	—	—	—	—	—	—	—	—	—	—	—	182,170,885	—
1820	108,210,180	13,373,850	—	31,042,650	—	30,770,625	—	31,824,900	—	—	—	—	—	—	—	—	—	—	—	—	—	221,222,205	—
1830	117,486,510	29,533,200	—	42,754,050	—	31,617,075	—	33,797,400	—	—	319,321	—	—	—	—	—	—	—	—	—	—	255,507,550	—
1840	122,264,835	38,365,510	—	44,856,000	—	31,412,709	—	33,767,550	—	—	2,786,617	—	—	—	—	—	—	—	—	—	—	277,754,621	—
1850	110,861,445	39,704,430	—	45,682,650	—	33,895,584	—	33,104,325	—	—	2,443,318	—	—	—	—	—	—	—	—	—	—	275,292,786	—
1860	142,824,285	41,965,230	—	52,695,000	—	48,000,000	—	41,487,225	—	—	2,658,731	13,146,570	—	—	—	—	—	—	—	—	—	359,125,480	—
1870	186,022,470	63,500,270	47,550	87,084,900	(2) 63,225	92,395,376	11,779,770	91,727,250	—	—	4,458,084	98,267,400	3,267,450	108,900	—	—	—	—	—	—	—	75,506,550	(7) 2,722,100
1880	280,060,395	120,608,460	3,693,950	177,094,050	266,850	149,456,600	59,233,690	163,932,275	9,220,788	—	8,047,437	199,788,200	12,788,450	246,060	3,945,500	—	—	—	—	—	—	1,240,352,068	75,506,550
1890	382,044,145	180,018,200	74,271,000	229,812,000	2,583,250	153,592,995	99,350,080	272,021,750	13,119,116	18,711,282	10,144,525	257,161,500	58,326,050	301,740	30,942,500	7,837,800	—	35,635,379	32,021,159	55,521,000	—	1,914,016,971	274,709,600
1900	513,979,105	194,928,550	130,972,350	242,250,675	14,003,000	135,001,055	117,770,090	359,384,150	14,282,450	20,410,200	10,184,850	273,987,600	102,774,300	318,000	54,168,400	13,261,800	4,941,950	37,988,450	65,510,600	64,312,050	11,335,000	2,382,672,525	349,687,350
1910	619,055,435	182,361,730	142,972,800	260,608,275	28,310,000	125,556,355	195,539,800	455,926,150	15,978,500	25,034,348	10,417,775	329,233,200	190,300,900	270,240	88,575,800	47,055,100	44,737,300	41,507,300	99,683,200	66,159,625	11,728,700	2,981,013,033	415,582,950
1911	624,131,010	180,172,580	142,174,950	261,416,975	28,252,250	125,858,350	204,707,350	466,818,825	16,279,600	20,659,424	10,439,175	336,340,300	201,859,600	270,240	95,192,200	52,395,100	61,655,750	41,248,300	102,426,600	68,039,650	12,816,500	3,050,155,929	450,569,000
1912	631,381,290	180,807,920	146,202,400	263,245,225	27,994,700	128,073,775	215,571,710	481,371,650	16,705,300	28,290,367	10,437,675	349,096,700	227,996,825	266,040	102,004,300	61,192,500	81,418,850	41,067,750	105,562,700	68,026,100	13,195,900	3,180,899,677	487,056,850
1913	634,833,355	188,725,920	151,203,400	265,943,575	28,316,850	129,004,510	209,019,410	487,304,725	17,153,000	34,816,320	10,556,075	356,542,900	244,347,475	266,040	107,321,400	66,689,300	95,966,650	41,101,750	106,208,800	68,087,550	13,406,600	3,285,965,605	514,112,550
1914	647,716,860	188,867,870	153,714,850	268,912,950	29,448,800	132,707,830	244,199,280	505,432,125	17,299,900	35,616,897	10,550,525	—	256,819,800	266,040	110,755,500	71,476,900	105,041,700	40,167,750	106,607,200	68,181,200	13,829,150	(4) 3,008,613,127	526,232,900
1915	646,396,470	189,832,950	153,260,400	270,459,725	30,350,000	138,489,330	252,627,030	507,620,125	16,721,100	36,142,269	10,568,750	—	258,855,900	266,040	110,693,000	70,728,200	110,816,400	40,440,050	105,156,800	67,752,800	13,746,750	(4) 3,030,924,089	533,195,500
1916	651,429,220	187,275,700	151,834,100	270,127,200	30,653,400	139,728,630	251,333,330	506,768,625	16,732,500	35,413,969	10,567,750	373,080,500	260,406,025	266,040	111,779,600	67,847,600	110,810,000	40,360,350	103,921,800	67,599,625	13,703,200	3,195,648,164	531,591,150
1917	660,429,020	196,132,970	149,615,100	272,081,450	30,585,200	140,159,825	255,142,370	506,152,675	16,834,000	35,301,170	10,567,750	375,875,000	268,730,975	266,040	117,246,200	68,457,700	112,872,650	40,193,750	102,423,000	67,438,625	12,918,250	3,439,340,529	512,208,350
1918	690,741,010	197,864,370	145,714,950	282,971,475	30,538,200	143,683,235	257,151,130	502,358,800	17,151,500	34,914,446	10,717,750	382,664,500	276,896,675	266,045	115,396,900	70,254,000	121,861,000	40,190,750	99,517,200	67,232,400	12,894,050	3,500,980,381	514,537,900
1919	702,215,715	201,012,820	140,837,200	295,334,525	35,882,700	145,220,935	261,039,810	507,532,300	19,534,800	35,929,045	10,932,750	—	293,997,675	265,560	111,956,400	62,807,900	119,833,500	40,100,950	97,024,300	67,356,775	13,871,600	(5) 3,157,696,260	538,966,050
1920	723,834,165	207,636,020	135,681,100	324,657,200	32,391,700	145,771,155	266,482,570	512,127,525	20,198,700	38,909,533	11,131,750	—	321,208,575	265,500	108,766,300	62,652,100	124,061,850	40,372,550	97,042,000	68,732,250	13,868,900	(6) 3,255,791,413	552,359,500

* For the period 1770 to 1900 according to Hecht; for the period from 1910 to 1920 taken from the annual reports of the Landschaften, and where these have not appeared from information furnished by the directors of the various institutions.

(1) For 1873. — (2) For 1871. — (3) For 1878. — (4) Excluding the figures of the Landschaft of Posen, which we have not been able to obtain — (5) Not including the mortgage bonds of the Landschaft of Posen, amounting to 385,827,500 marks. — (6) Exclusive of the Landschaft of Posen — (7) For 1874.



from 1871, but it was only after it had been successively amended in 1890 and 1895 and better adapted to local conditions that a considerable increase came about in the bonds in circulation, the amount of which passed from 2 ½ million marks in 1890 to 14 million marks at the end of last century. This increase of 12 million marks is nearly equal to that which took place in the Landschaft of Pomerania in the course of the same period. But the explanation of all the circumstances which have brought about either a decrease or an increase in each province at different times would take us beyond the limits of the present enquiry. We have rather to emphasize the essential features of the circulation of the mortgage bonds and their relation to other economic factors.

In the issue of bonds by the Landschaften, the following three periods may be distinguished :

1. *The First Half of the Nineteenth Century.* — At the beginning of last century, during the time of the wars and immediately after, the issue of bonds by the Landschaften of East and West Prussia became markedly less.

In 1812 when the market price of the bonds of the Landschaft of East Prussia had fallen to 33 per cent. below the nominal value, in consequence of the material damage that had been done to the estates of the province by the war, the Landschaft was induced by the Government to restrict its activity in the matter of loans. The same thing happened in regard to the Landschaft of West Prussia the working of which had been seriously affected by the removal of large areas from its sphere of action. The remaining old Prussian Landschaften were able to increase the circulation of their bonds in a degree differing according to the institutions under consideration : on a large scale as regards the Landschaft of Silesia, and on a smaller scale, as regards the Credit Institution for Noble Estates of Kurmark and Neumark.

The reduction in the issue of bonds taking place in the period 1820 to 1850 was more universal, for, besides the Landschaften of East and West Prussia, the others too and especially that of Silesia showed evidence of a more reduced circulation. Circulation was in the first place hindered by the agricultural crisis of 1820 occasioned by the rapid fall in the price of cereals that took place at that time. Prices dropped so far below the level they had previously maintained that it became impossible to cover the cost of production. As a result, the majority of the landowners were no longer in a position to pay the interest on their mortgage bonds, and large numbers of estates were seized or sold by auction. During the decade 1820 to 1830, eighty per cent. of the owners of noble estates in the East of Germany lost their property.

The Landschaften thus met with severe losses, and found themselves obliged to make the conditions of credit more rigorous. Loans were no longer granted on two-thirds of the estimated value of estates, as had obtained in the Landschaft of East Prussia since 1823, but only on the half of that value. To support the credit of the Landschaften, the State had to make cash advances to them — 1,000,000 thalers to the

Landschaft of East Prussia, and 328,000 thalers to that of West Prussia. Further, the system of amortization, introduced about 1830 into the Landschaften, ultimately helped to restrict the issue of bonds within narrow limits. The prejudice of landed proprietors against obligatory repayment of the kind was so strong that many of them decided to return the bonds they had received and to obtain loans from private persons. Investors in their turn were much discouraged by the conversion of the bonds from four per cent. to three and a half per cent., and a considerable part of the sums invested in mortgage bonds was thereupon withdrawn, and so lost to agriculture. At the same time, the State and the communes were issuing bonds. This did no small damage to investments in mortgage bonds. The convergence of all these factors proved an obstacle to the development of the issue of mortgage bonds on the part of the different Landschaften. Nevertheless the total circulation shows, except for the decade 1840 to 1850, a continuous increase, although in a restricted degree.

2. *The Second Half of the Nineteenth Century and the Beginning of the Twentieth.* — During this period the Landschaften present a totally different picture. From 1850 to 1870 while capital attracted by the high rate of interest flowed more and more towards industrial investments, the Landschaften represented the sole source of credit for large landed property. The five original Landschaften issued bonds to the value of, in round figures, 250 millions of marks, a sum nearly equalling that which had been reached in all the previous years, counting from 1770; and taken all together the issues of all the Landschaften came in 1870, after a century's working, to more than 667 million marks. During the following period, that is to say from 1870 to 1880, this sum almost doubled itself, so as to pass the thousand millions: in round figures, it came to 1,240 millions of marks. One reason for this was that it was at that time possible to issue bonds on small properties. This increase then became more rapid, and at the end of the nineteenth century the issues exceed two thousand millions of marks, that is 2,382,672,525 marks worth of bonds.

An equally steady increase also characterizes the issue of the Landschaft mortgage bonds during the first decade of this century. The total of the circulation reached in 1910 the figure of nearly three thousand millions of marks, and on the eve of the war, in 1913, it reached the highest level ever reached, a sum of 3,285,965,605 marks. This sum, reckoned on a pre-war basis, shows what an important investment of capital had been made in the land, from 1850 to 1913, under the form of agricultural land credit.

3. *The Period of the War and After the War.* — The War, especially during its two first years, interfered in a marked way with the progress of the Landschaften. Apart from the temporary causes, such as the military situation at its various turning points, it was the diverse national structure of the different provinces, especially of those lying on the borders of Germany, that influenced the circulation of the bonds, together with the

tendency of agriculturists to pay off the loans which they had previously obtained in the form of mortgage bonds. We shall dwell only on the latter of these two causes.

The whole national economy, the proper development of which was completely dislocated, was in an unsettled condition throughout the War. No large agricultural enterprises were undertaken, and the purchase and sale of landed property was nearly at a standstill. There was thus no necessity for agriculturists to contract loans on mortgage. Instead, in consequence of the favourable market conditions for agricultural produce, money flowed into the rural districts without finding any opening there for its use: the price of bonds fell, and the whole circumstances more and more conduced to the paying off of these bonds. Further during the War the *Landschaften* exercised still more care in the matter of granting loans. In consequence of all this the total value of the bonds in circulation fell. This drop is clearly marked in the New Credit Institution of Brandenburg, in the *Landschaft* of East Prussia, in the Land Credit Union of Schleswig-Holstein, and in all the credit institutions of the *Landschaft* type outside Prussia. A temporary diminution in this respect may also be observed in the other *Landschaften*, but there it is found to be neutralized by a considerable development in an opposite direction, namely an increase in these bonds that came about, amongst other reasons, in view of the purchase of war loan. This happened whether people took out new loans in mortgage bonds, or were assigned bonds in exchange for the sums standing to their credit in the amortization fund, and considerable advantage accrued to members of the *Landschaften* since the interest on war loan was enough to cover not only the interest due to the *Landschaften* and the cost of administration, but also the greater part of the contribution required for extinguishing the mortgage debt. Generally speaking then, even during the War and especially during the last two years of the War, a distinct increase in the mortgage bonds could be noted. This increase might be estimated at about 125 million marks. Thus at the end of the War the bonds in circulation reached a total of 3,500,000,000 marks.

During the first year after the War, a new increase is noticeable, partly due to the great political and social changes that were taking place and to the fact that the public had greater confidence in land securities than in the loans of the Republic or of the separate States. The value of the bonds in circulation in 1919 would have come to 3,543,323,560 marks, if we were not obliged to deduct from the total the bonds of the largest of the *Landschaften*, namely that of Posen, reaching a total of 385,827,300 marks. Thus the total of the mortgage bonds actually came to 3,157,696,260 marks.

In 1920, the total of these bonds, reaching 3,255,791,443 marks, nearly corresponds to that of 1913, in spite of the loss of the *Landschaft* of Posen. It is, however, undoubtedly the case that the after-War figures, taken in relation to the general economic situation, do not indicate so great an activity among the *Landschaften* as they enjoyed before the War.

§ 2. THE RATE OF INTEREST ON MORTGAGE BONDS.

The rate of interest on the mortgage bonds of the Landschaften has varied considerably. Generally speaking there has been tendency to replace bonds bearing a high rate of interest by those bearing a low rate. The first bonds were issued at five per cent. But as they were for the most part above par, the interest was reduced to four and two-thirds per cent. in 1776, and in 1778 to four per cent. Up to about 1830 this was the usual rate of interest on Landschaft bonds. About that date, as large masses of capital were being employed in State securities and in land bonds, the development of industry being still inconsiderable, the four per cents were converted into three and a half per cents.

During the period between 1868 and 1878, railway undertakings absorbed more and more capital, and certain Landschaften, such as those of East Prussia, West Prussia and Brandenburg, reverted temporarily to the issue of five per cent. bonds. The bonds at four and a half per cent. were still maintained, up to the end of last century, though representing a very much reduced total. The four per cent. bonds predominated up to 1885, but alongside of them there soon appeared bonds at three and a half and three per cent. and these became of increasing importance, as the general tendency to lowering of interest made itself felt in respect to all other securities. The Central Landschaft has been issuing bonds at three per cent. ever since 1885. Towards the end of the century, the rate slowly began to rise so that in the end, issues at four per cent. were resumed and on a larger scale than before. Table II (pages 48 and 49) shows the total of bonds bearing the different rates of interest, in all the Prussian Landschaften at the end of last century, and also in 1919, that is to say in the first year of the post-War period.

We see from this Table II, that the four and a half per cent. bonds, which were still in circulation in 1897 in the New Landschaft of Pomerania for a total of 155,400 marks had completely disappeared from circulation in 1919. At the same time, the four per cent. bonds have considerably increased, both in actual figures and relatively to the whole circulation. These latter bonds rose from 67 million marks in 1897 to nearly a thousand million in 1919, not including those of the Landschaft of Posen. The three and a half per cent. bonds have also increased, but in a less degree, while there has been a decrease in the three and a third per cent. bonds, issued only by the Landschaft of Pomerania, and the three per cent. bonds, issued by all the Landschaften. Thus the bonds at the highest rate of interest and those at the lowest rate have fallen off in the course of the last few decades, while at the same time the total of the bonds at an intermediate rate rose steadily.

§ 3. THE MARKET PRICE OF MORTGAGE BONDS.

The market price of mortgage bonds has oscillated very considerably, now rising above par and now sinking below. Immediately after their creation, mortgage bonds were at a premium. During the last decades of the eighteenth century their value sometimes reached and sometimes exceeded ten per cent. above their face value. Exact statistics of the prices of mortgage bonds can be drawn up as far as the old Prussian *Landschaften* are concerned going back to the early years of the nineteenth century, to be more exact to 1808. We give this in Table III (page 50).

As is apparent from Table III, the quotations of the bonds of all the *Landschaften* were much below par at the beginning of last century, a fact that is chiefly to be attributed to the Napoleonic wars. The fall in these prices was in direct proportion to the greater or less degree in which the military events affected the different provinces. The *Landschaften* of East and West Prussia were the principal sufferers, and in 1810 the bonds in those provinces stood at 61.5 and 58.5 respectively as maximum quotations for the year.

From 1815 onwards there was a marked improvement in prices, and though some oscillations are still noticeable in general the quotations were much more favourable, up to and beyond the middle of the century. Towards 1860 when, as has been said already, the rate of interest fell, prices fell again below par. This is explicable, among other reasons, by the constant political agitation which led to the three wars that came about between 1860 and 1870, and by the appearance on the money market of bonds of the Joint Stock Mortgage Banks, which were issued for the first time in 1862. It was precisely in order to raise the prices of mortgage bonds and to make them uniform that the Central *Landschaft* was established in 1873. Towards 1880, the *Landschaft* bonds approached par. At the end of the century there was a fall in quotations of all bonds bearing a fixed rate of interest and consequently of the *Landschaft* bonds, a fall probably connected with a great economic development in Germany, and with the increased returns from capital invested in industrial and commercial undertakings. The situation remained the same through the first ten years of the present century.

The movement of prices of mortgage bonds immediately before the War, and during its progress, is shown in Table IV (page 51). In this table we compare over a period of ten years, the quotations of bonds respectively of the *Landschaften* of Silesia, of East Prussia, of the Provinces of Saxony and Westphalia, and of the Central *Landschaft*, with the quotations of the bonds of the German Empire. The official quotations of the Berlin Stock

TABLE II. — *The Mortgage Bonds of the Prussian*

Name of association	In 1897 (after Meitzen)				
	4 $\frac{1}{2}$ %	4 %	3 $\frac{1}{2}$ %	3 $\frac{1}{8}$ %	3 %
Landschaft of Silesia	—	1,594,060	224,774,085	—	264,667,600
Credit Institution for Noble Estates of Kurmark and Neumark	—	187,940	104,636,520	—	97,643,880
New Credit Institution of Brandenburg	—	—	87,762,750	—	33,014,000
Landschaft of Pomerania . .	—	—	151,716,675	1,007,850	82,786,600
New Landschaft of Pomerania	155,400	—	6,299,200	—	2,024,350
Landschaft of West Prussia.	—	18,700	126,070,455	—	16,304,200
New Landschaft of West Prussia	—	—	101,020,590	—	7,516,100
Landschaft of East Prussia .	—	—	300,008,875	—	26,573,900
Landschaft of Posen.	—	41,193,100	221,682,900	—	5,904,400
Landschaft of the Province of Saxony	—	2,356,775	22,737,225	—	66,380,375
Credit Institution for Upper and Lower Lausitz	—	25,560	258,000	—	—
Landschaft of the Province of Westphalia	—	18,205,100	21,517,100	—	6,242,000
Land Credit Union for the Province of Schleswig-Holstein	—	3,819,500	5,759,500	—	1,941,500
Landschaft of Schleswig-Holstein	—	—	—	—	2,246,150
Totals	155,400	67,400,735	1,374,243,875	1,007,850	613,245,055

Landschaften, classified according to their Rate of Interest.

In 1919 compiled on the basis of the Statements of accounts of the Landschaften					
Total	4 %	3 ½ %	3 ⅓ %	3 %	Total
491,035,745	197,526,980	331,265,980	—	173,433,100	702,225,715
202,468,340	37,796,090	101,670,180	—	61,546,550	201,012,820
120,776,750	19,501,850	99,412,450	—	21,922,900	140,837,200
235,511,125	51,530,000	184,963,275	739,275	58,101,975	295,334,525
8,478,950	5,492,400	17,666,500	—	1,204,100	24,363,000
142,393,355	32,805,000	101,319,135	—	11,105,800	145,229,935
108,536,690	85,127,300	167,222,110	—	8,690,400	261,039,810
326,582,775	189,352,800	303,052,900	—	15,126,600	507,532,300
268,780,400	—	—	—	—	—
91,474,375	152,495,225	77,147,025	—	64,355,425	293,997,675
283,560	7,560	258,000	—	—	265,560
45,904,200	60,300,800	36,528,000	—	4,645,500	101,474,300
11,520,500	45,909,000	26,747,000	—	1,540,600	74,196,600
2,246,150	80,323,550	31,586,300	—	7,923,650	119,833,500
2,056,052,915	958,168,555	1,478,838,510	739,275	429,596,600	2,867,342,940

TABLE III. — *Quotations of the Mortgage Bonds of the Prussian Landschaften during the Nineteenth Century.* *

Years	Landschaft of Silesia		Credit Institution of Kurland and Neumark		Landschaft of Pomerania		Landschaft of West Prussia		Landschaft of East Prussia		Landschaft of Posen	
	maximum	minimum	maximum	minimum	maximum	minimum	maximum	minimum	maximum	minimum	maximum	minimum
1807	86 $\frac{1}{2}$	81	94 $\frac{1}{2}$	87 $\frac{1}{2}$	95 $\frac{1}{2}$	89 $\frac{1}{2}$	88 $\frac{1}{8}$	65 $\frac{1}{2}$	91 $\frac{1}{2}$	82 $\frac{1}{2}$	—	—
1810	87 $\frac{1}{2}$	79 $\frac{1}{2}$	80 $\frac{1}{2}$	74 $\frac{1}{2}$	84 $\frac{1}{2}$	80 $\frac{1}{2}$	58 $\frac{1}{2}$	54 $\frac{3}{4}$	61 $\frac{1}{2}$	54	—	—
1815	99	81 $\frac{1}{2}$	102	93 $\frac{1}{2}$	102 $\frac{3}{4}$	95 $\frac{1}{2}$	89 $\frac{1}{2}$	64 $\frac{1}{2}$	91	69 $\frac{1}{2}$	—	—
1820	106 $\frac{1}{2}$	103	103 $\frac{1}{4}$	101 $\frac{3}{4}$	103 $\frac{1}{2}$	101 $\frac{3}{4}$	92	86	91 $\frac{3}{4}$	86 $\frac{1}{2}$	—	—
1830	107	100 $\frac{1}{2}$	106 $\frac{1}{8}$	100 $\frac{1}{4}$	106 $\frac{1}{4}$	101 $\frac{1}{2}$	102	84 $\frac{1}{2}$	102 $\frac{1}{8}$	92 $\frac{1}{2}$	103 $\frac{1}{4}$	85 $\frac{1}{2}$
1840 (1)	103 $\frac{1}{2}$	101 $\frac{3}{4}$	104 $\frac{1}{2}$	100 $\frac{1}{2}$	104	101 $\frac{3}{4}$	102 $\frac{5}{8}$	99 $\frac{3}{4}$	102 $\frac{1}{2}$	100 $\frac{3}{4}$	106 $\frac{3}{8}$	104 $\frac{1}{2}$
1850	95 $\frac{1}{2}$	94 $\frac{5}{8}$	96 $\frac{1}{2}$	90 $\frac{1}{2}$	96 $\frac{1}{4}$	90 $\frac{3}{4}$	92 $\frac{1}{4}$	81 $\frac{1}{2}$	94 $\frac{1}{2}$	84	91 $\frac{1}{2}$	87
1860	89 $\frac{3}{4}$	85 $\frac{3}{4}$	91 $\frac{1}{2}$	86	88 $\frac{7}{8}$	84 $\frac{3}{4}$	84 $\frac{1}{2}$	79 $\frac{3}{4}$	85	80 $\frac{5}{8}$	95 $\frac{1}{8}$	88 $\frac{1}{4}$
1870	76 $\frac{3}{4}$	75 $\frac{3}{4}$	75 $\frac{1}{4}$	69	74 $\frac{1}{2}$	68	75 $\frac{1}{8}$	66 $\frac{1}{2}$	78 $\frac{5}{8}$	73 $\frac{3}{4}$	—	—
	3 $\frac{1}{2}$ 0/0	4 0/0	3 $\frac{1}{2}$	4 0/0	3 $\frac{1}{2}$ 0/0	4 0/0	3 $\frac{1}{2}$ 0/0	4 0/0	3 $\frac{1}{2}$ 0/0	4 0/0	3 $\frac{1}{2}$ 0/0	4 0/0
1880 (2)	92	100.70	94.80	100.10	90.10	99.40	90.50	99	90.70	89.70	—	99.40
1890	97.80	100.70	96.70	102.50	97.40	96.70	100.60	—	100.30	—	96.40	101
1900	96.50	100.70	95	100.75	94.25	86.10(3)	94.60	86	94.50	84.60	95.50	102

(*) According to Franz.

(1) About 1840 there was a conversion of four per cent. mortgage bonds into three and a half per cent. — (2) From 1880 to 1900, the quotations are those of the end of the year. — (3) Mortgage bonds at three per cent.

TABLE IV. — Quotations of the Mortgage Bonds of the *Landschaften* and of *State Securities* from 1910 to 1920. (*)

31 December	Landschaft of Silesia				Landschaft of East Prussia				Central Landschaft				Landschaft of the Province of Saxony				Landschaft of the Province of Westphalia				State securities			
	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %
	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %	3 %	3 ½ %	4 %	4 %
1910	83.60	92.70	100.40	100.40	81.10	91.30	100.20	100.10	86.25	93.40	100.75	100.75	81.75	90.80	100	85.10	94	102.20						
1911 ⁽¹⁾	81.30	91.60	100	100	80.40	89.80	100	99.80	84	92	101.25	101.25	81.60	90.60	99.50	82.70	91.80	101.75						
1912	78.10	89.70	98.30	98.30	77.10	86.50	96.40	95.30	80	88.60	101.10	101.10	77.30	87.40	97.70	77.80	88.50	100						
1913	76.60	87.50	95	95	74.80	83.80	92.50	93	80.80	89	100.75	100.75	76	86.50	95.25	76	85.20	97.90						
1914 ⁽²⁾	—	87 (3)	84.25	74 (3)	—	92 (3)	(3)	84.60	94.50	78.20	87.50	100.70	—	—	94	72	84 (3)	98.40						
1915	68.50	76.25	88.40	—	—	—	—	66.5-70.5	78-81.75	83	92 (4)	—	—	—	—	66.87	76.27	88.28						
1916	67.75	78	80.50	—	—	—	—	64.5-72.5	75.75-82	85.5-90.25	12 (5)	82 (5)	94 (5)	—	—	65.20	73.83	86.84						
1917	72.25	83.75	93.50	—	—	—	—	69-70.5	81-82.5	90-91.5	72	84	92.75	—	—	66.37	73.93	86.30						
1918	79.25	92.60	101.30	—	—	—	—	71-81	82-90.75	91.50-98.75	80	90	100	—	—	67	73.99	86.38						
1919	75.75	86.75	96.50	72	74	91.25	—	85.90	100.25	75	90	103	88.25	92	101.50	60.20	58.70	64.40						
1920 ⁽¹⁾	72.50	85.60	99.40	—	78.90	91	—	88.50	100	85.60	87.50	101 (4)	—	97	103.75	65.90	59.80	66.10						

(*) The figures are taken from the *Deutscher Reichsanzeiger und Preussischer Staatsanzeiger* for the years 1910-14 and 1919-20; for the war years 1915-18, the figures relating to quotations of mortgage bonds have been taken from the annual reports of the *Landschaften*. Those relating to the quotation of State securities have been taken from the *Statistisches Jahrbuch für das Deutsche Reich* of 1920.

(1) On 30 December. — (2) On 30 July. — (3) On 29 July. — (4) New bonds. — (5) Quotations fixed officially for declaration in view of duties (*Steuerkurse*), on 31 December. — (6) On 29 December.

Exchange were suspended on 31 July 1914, so that the quotations of the years of the War 1915 to 1918 are based on private dealings. From 1919 onwards the official quotations of bonds recommenced. Of the bonds of the Landschaft of Silesia those considered are "A" bonds, and of the bonds of the Landschaft of Westphalia the original bonds. The quotations, unless the contrary is specially stated, are of the last day of the year. The quotations of the State bonds for 1914 to 1918 represent average prices. The war-time quotations as far as the Central Landschaft is concerned are shown in maxima and minima.

As may be seen from Table IV the land-bonds of the Landschaften and the loan bonds of the Empire are quoted on nearly equal terms, during the period 1910 to 1914, although the quotations of the mortgage bonds, with the exception of those of the Landschaft of Saxony, are a little lower than those of the State bonds. This pre-War period is characterized by the Balkan war and the fears that were entertained of further political complications. On the economic side, a large increase of Government and communal securities should be noted, as well as of debentures of commercial companies. Capital was invested abroad attracted by the higher rates of interest offered, or business enterprises were undertaken on a larger scale. This was followed by a steady decline in the prices whether of mortgage bonds or of Government securities which became more marked with the advent of 1914.

The War brought down the prices of all securities with a run. However the prices of mortgage bonds were on the whole higher than those of the Government securities. This tendency became more accentuated during the last year of the War, in 1918, and during the two first years following the War, in 1919 and 1920. While the quotations of Government securities kept on falling, and in the end in 1920, these securities, after going up a little, were still lower than they were in 1915 (e. g. the three and a half and four per cents were at 59.80 and 66.10 instead of 76.27 and 88.28) on the other hand the mortgage bonds of all the Landschaften, except those of East Prussia, whatever their rate of interest, had gone up and were considerably higher than the State securities bearing the same rate of interest. These latter undoubtedly were affected in a marked degree by the vicissitudes of the War and the events of its close.

CHAPTER IV.

THE ESTATES MORTGAGED IN FAVOUR OF THE LANDSCHAFTEN.

§ I. THE NUMBER OF THE MORTGAGED ESTATES.

By following a definite policy in granting their loans, the *Landschaften* exercise an influence on the whole agricultural situation of the country, both in respect to the number of mortgaged estates, and in respect to the extent to which property is concentrated in some few hands, as well as to the upkeep of the estates or their transfer. They thus assume the importance of true agricultural institutions, while the activity of the Joint Stock Mortgage Banks is confined to granting loans as a method of investing their capital.

It is, however, impossible to describe this activity of the *Landschaften* under all its aspects, for in the annual and administrative reports, it often happens that there are no figures forthcoming on certain points or that they are somewhat fragmentary. Complete information for all the Prussian *Landschaften* is available only on the point of the number of mortgaged estates. These figures are shown in Table V (pages 54 and 55).

The number of loans granted is sometimes shown in the table instead of the number of estates involved ; this is so in the case of the New *Landschaft* of West Prussia. Sometimes, too, the number of persons concerned is given, as in the case of the *Landschaft* of Westphalia, and the three credit institutions of Hanover of which the only figures at our disposal are those of the Credit Institution for Noble Estates of Bremen. With regard to the *Landschaft* of Silesia, the estates of the nobility (incorporated) and the estates of the peasant proprietors (unincorporated) are separately indicated in order to bring out with more clearness the state of affairs and the reciprocal relation between the two kinds of loans.

Here a reservation must be made, namely that the number of the estates shown in the table under the different *Landschaften* do not exactly correspond to the number of loans granted or to the number of persons concerned, and that on the other hand, as we had occasion to remark when analysing Table I (the total of the mortgage bonds), the *Landschaften* financial years cover different periods. Apart from this reservation, we may draw the following conclusions from the figures set out.

TABLE V. — *Number of Properties on which the Prussian*

Years	Landschaft of Silesia		Credit Institution of Kurmark and Neumark	New Credit Institution of Brandenburg	Landschaft of Pomerania	New Landschaft of Pomerania
	Estates incorporated	Not incorporated				
1866	(1) 1,100	(1) 500	565	—	(1) 1,145	—
1877	(1) 1,400	(1) 1,000	651	22	(1) 1,253	4
1885	(1) 1,800	2,987	940	1,377	(1) 1,477	25
1895	2,066	7,761	1,029	6,649	1,552	205
1900	2,048	10,930	1,005	9,007	1,521	(2) 366
1910	1,937	15,514	900	10,345	1,315	953
1911	1,910	15,819	888	10,356	1,270	891
1912	1,888	15,996	877	10,444	1,246	976
1913	1,879	16,172	881	10,537	1,237	981
1914	1,885	16,258	873	10,578	1,234	1,023
1915	1,872	16,208	874	10,552	1,228	1,074
1916	1,873	16,204	873	10,486	1,224	1,091
1917	1,862	16,191	878	10,334	1,219	1,090
1918	1,857	15,754	871	10,120	1,209	1,086
1919	1,886	15,640	875	9,595	1,214	1,081
1920	1,892	15,062	878	9,140	1,247	1,083

(*) Taken from Meitzen and Hecht for the years 1806 to 1900, and from the annual reports of the
 (1) Estimated. — (2) Figure for 1897. — (3) Figure for 1901. — (4) On 20 May 1921: 11,896

Landschaften granted Loans during the Period 1866 to 1920. ()*

Landschaft of West Prussia	New Landschaft of West Prussia	Landschaft of East Prussia	Credit Association for Noble of Estates Bremen	Landschaft of Posen.	Landschaft of the Province of Saxony	Landschaft of Westphalia	Landschaft of Schleswig- Holstein
450	285	1,897	117	500	44	—	—
900	1,262	3,924	210	1,500	128	—	—
1,030	4,384	6,628	293	4,236	428	1,362	—
917	5,463	10,725	350	6,233	1,227	2,817	—
(3) 859	6,656	13,328	383	6,568	1,717	3,257	29
683	10,059	15,949	398	8,601	2,874	4,587	1,088
664	10,473	16,264	398	8,958	2,994	4,798	1,838
653	10,931	16,614	397	—	3,202	4,986	2,496
647	11,308	16,826	396	9,828	3,338	5,114	3 022
640	11,865	16,933	400	—	3,433	5,198	3,331
—	12,161	16,949	397	—	3,455	5,187	3,470
643	12,196	16,902	394	10,264	3,450	5,140	3,486
—	12,216	16,818	392	10,215	3,464	5,042	3,418
—	12,218	16,690	397	10,169	3,460	5,804	3,369
647	12,254	16,426	379	—	3,459	4,390	3,919
643 (4)	12,240	15,804	366	—	3,468	4,050	2,397

Landschaften for the years 1910 to 1920.
 Estates of which 7,936 were in the territory ceded to Poland.

The highest number of mortgaged estates, in absolute figures, is found in the Landschaften of Silesia and of East Prussia, the two old institutions which were the first, towards the middle of the last century, to extend mortgage credit to small properties cultivated by the owners. Together they embrace nearly half of the total number of estates on which Landschaft loans have been granted. And in these Landschaften small properties are dealt with in by far the largest proportion. In the other original Prussian Landschaften there is, side by side with the institutions for the nobility, a great development of affiliated associations, engaged in making loans on small estates. This is the case in particular with the New Landschaft of West Prussia, which in 1920 held mortgages on more than 12,000 properties and the New Credit Institution of Brandenburg which, in the same year, held mortgages on 9,000 properties.

Among the new independent Landschaften there is one outstanding one in the East, the Landschaft of Posen, which held mortgages on more than 10,000 properties in 1918, and one in the West, that of Westphalia, numbering 4,050 members in 1920. In the course of the period under consideration, a steady development may be noted in all the credit institutions. Taking into account only the war years, the number of estates on which loans had been granted remained the same or showed only a very slight decrease.

From the number of properties on which the Landschaften of the East and those of the West respectively have granted loans, it is seen that the importance of the Landschaften, as far as landed property is concerned, is much greater in the eastern provinces than in the western provinces of Prussia, where small estates are in the majority.

§ 2. THE RELATION BETWEEN THE NUMBER OF MORTGAGED ESTATES AND THE TOTAL NUMBER OF ESTATES.

The relation between the number of estates on which loans have been granted and the total number of existing estates would give us a more exact picture of the area covered by Landschaft credit than the figures can by themselves, if the statistics bearing on the point were not, as we have said, so incomplete. However, in order to give a general idea of the ratio of the properties of different sizes to the total of estates on which loans were granted, we reproduce a table drawn up by Mauer, relating to the year 1905. These figures naturally only give a very rough idea of the present state of affairs.

TABLE VI. — *Ratio between the Properties Mortgaged in favour of the Landschaften and the Total Number of the Properties in 1905. (*)*

Landschaften	Properties between 5 and 20 hectares in area			Properties between 20 and 100 hectares in area			Properties of 100 hectares and over.		
	Number of pro- perties	Number of mortgaged properties	Ratio between number of pro- perties mort- gaged in favour of the Landschaften and total number of properties	Number of pro- perties	Number of mortgaged pro- perties	Ratio between number of properties mortgaged in favour of the Landschaften and total number of properties	Number of pro- perties	Number of mortgaged pro- perties	Ratio between number of properties mortgaged in favour of the Landschaften and total number of estates
1. Landschaft of Silesia	80,326	6,447	%	16,477	5,583	33.9	2,750	2,327	84.6
2. » » East Prussia	38,021	2,377	8.0	25,879	9,418	36.4	3,400	2,953	86.8
3. » » Posen	41,125	2,384	6.3	12,658	2,637	20.8	2,020	1,618	80.1
4. New Landschaft of West Prussia	27,378	3,160	5.8	13,715	4,547	33.2	2,000	1,110	55.5
5. New Credit Institution of Brandenburg	41,500	3,591	11.5	23,500	5,694	24.2	2,100	1,430	68.1
6. New Landschaft for Small Owners of Pomerania	30,116	239	8.6	11,973	725	6.1	2,500	1,604	64.2
7. Landschaft of the Province of Saxony	42,357	787	0.8	16,477	925	5.6	1,610	348	21.6
8. Landschaft of Westphalia	37,746	1,458	1.9	11,836	1,908	16.1	303	204	67.3
9. Mortgage Credit Union of the Province of Schleswig-Holstein	22,997	554	3.9	21,586	1,352	6.3	1,091	198	18.1
Kingdom of Prussia	361,566	20,997	1.4	154,101	32,789	21.3	17,774	11,792	66.3

(*) After MAUER: Das Landschaftliche Kreditwesen Preussens, page 189.

What is peculiarly striking in this table, is that the smaller the estates, the smaller too, whether in the spheres of the different Landschaften or in the whole Kingdom of Prussia, the ratio between the number of estates on which loans have been granted and the total number of existing properties. In the group of the most extensive of these properties, those of 100 hectares and more, this ratio appears as higher than for the other groups. In the whole of Prussia, this ratio reaches 66.3 per cent. Then it falls rapidly: in the group of the properties between 20 and 100 hectares in area it is 21.3 per cent. and in respect to properties between five to twenty hectares, it is only 5.8 per cent. Taking the provinces separately, the percentages vary but the tendency remains the same: the proportion of lands on which Landschaft loans are granted is always much more for the large estates of a hundred hectares or more, than for the smaller properties of 20 to 100 hectares, and for these latter the proportion was always more than for the properties of an average size, namely five to twenty hectares. Large estates thus make use of the land credit of the Landschaften in a much larger proportion than the small peasant property.

A similar state of affairs can be shown to exist on the basis of the last land census taken in Germany in 1907, and further it was the same just before the War and immediately after.

Thus in the New Credit Institution of Brandenburg on a total number of 128,628 estates of more than two hectares in 1911, there were 10,356 mortgaged as security for Landschaft loans, and they may be classed as follows according to their area (1):

Class	Total number of estates	Number of mortgaged estates	Percentage
From 2 to 5 hectares . . .	44,069	291	0.7
From 5 to 20 » . . .	57,094	3,597	6.3
From 20 to 50 » . . .	21,086	4,270	20.3
From 50 to 100 » . . .	4,056	1,785	44.0
Over 100 » . . .	2,323	143	17.8
Total . . .	128,628	10,356	

Without reckoning the very small farms of less than two hectares, which as a rule cannot serve as security for a Landschaft loan, only 291 of the small agricultural properties from two to five hectares make use of the Landschaften, which is a very small percentage (0.7 per cent.) of the total number of properties of this class (44,059) though these properties represent nearly one third of the total number of estates. Then the percentage gradually increases with the increase in the area of the properties,

(1) V. ALTROCK: Kur- und Neumarkisches Ritterschaftliches Kreditinstitut. Berlin, 1915, pp. 270-275.

until in the case of estates from 50 to 100 hectares it reached 44 per cent. As regards the large properties, those of more than a hundred hectares, the percentage of properties mortgaged in favour of this Institution is again less, falling to 17.8 per cent. This is explained by the fact that the large estates in the province of Brandenburg obtain the credit they require from the Credit Institution for Noble Estates of Kurmark and Neumark.

In the Landschaft of East Prussia, out of a total of 72,073 properties of more than five hectares in the Province — those of less than five hectares not usually being taken as guarantee of a loan — with an area of 3,014,430 hectares, there were 49,150 with an area of 2,132,000 hectares, which had the right to avail themselves of the credit furnished by the Landschaft. In 1912, 16,880 of these were mortgaged (including 61 of an area less than five hectares), that is 22.9 per cent. of the whole number of properties and 33.7 per cent. of the number of properties eligible for Landschaft credit. The area of these was 1,399,034 hectares, that is 46.41 per cent. of the total area and 65.6 per cent. of the area of the properties eligible for credit. Taking the properties according to size, the percentages of the mortgaged properties in proportion to the total number were as follows (1) :

Class	Total number of properties	Number of mortgaged properties	Percentage
From 5 to 20 hectares . . .	43,982	3,533	8
» 20 to 50 » . . .	19,407	6,700	34.5
» 50 to 100 » . . .	5,788	3,442	63.9
Above 100 » . . .	3,296	2,884	86.3
Totals . . .	<u>72,073</u>	<u>16,519</u>	

Out of the total number of small properties from five to 20 hectares in area, there were mortgaged in favour of the Landschaft only eight per cent., a percentage thus much lower than the average percentage of 22.9, but larger than in 1915, when it was 6.3 per cent. (Table VI). On the other hand for the larger estates, those of more than 100 hectares, the percentage was 86.3 per cent. implying a very extensive employment of Landschaft credit. The properties of medium size, with an area of from 20 to 50 hectares, occupy an intermediate position, the mortgages being in the proportion of 34.5 per cent.: then come those of from 50 to 100 hectares, mortgaged in the higher proportion of 63.9 per cent.

The same state of affairs may be found in the Landschaft of Silesia after the War, but in relation to peasant properties "not incorporated".

(1) V. ALTROCK: Die Ostpreussische Landschaft, Berlin, 1914, pp. 196-199.

On 25 December 1919, there were mortgaged in favour of this Landschaft:

Properties of less than 5 hectares	1,351
» of 5 to 20 »	7,476
» of 20 to 75 »	5,908
» of more than 75	527
Total	<u>15,263</u>

Disregarding the class of peasant properties more than 75 hectares in area, in itself a small class, it is once more in the group of the smallest farms, those under five hectares that the lowest number of mortgaged properties occurs. The situation is otherwise so far different that the highest number occurs among the farms of medium size, while the large peasant properties come next with 5,908 mortgaged properties.

Generally speaking, the Landschaft credit is of most use to the large estate. Small property takes advantage of loans from this source only in a limited degree. A whole series of factors combine to bring this about, some inherent in the organization of these institutions, some closely bound up with the psychology of the rural classes. From the nature of institutions of the Landschaft type, admission of the smaller estates to the enjoyment of credit facilities was not a matter of course, nor was it easy for those great credit institutions to ascertain with certainty the degree of credit-worthiness of the very small farms, in out of the way localities. On the other hand, difficulties arose from the dislike of the peasants to the public registration of their mortgages in the Land Registers, their unwillingness to meet the obligation of gradual extinction of the debt, always a condition attaching to Landschaft loans, their opposition to the insurance requirements which the loans carried with it and so on. As time went on, however, this credit came more within the reach of the peasants, by the setting up of branches in the country districts. Fresh criteria for valuation purposes were drawn up, and there was introduced into the Landschaft a system of life insurance, which, constituting as we shall see a method of dismortgaging, became a reason for taking up Landschaft loans.

CAPITOLO V.

THE PROBLEM OF DISMORTGAGING AND THE LANDSCHAFTEN.

The problem of dismortgaging is of recent date; it is scarcely more than ten years ago that it became part of the programme of the Landschaften. The question arose of drawing up regulations of a kind to check the ever-increasing mortgage indebtedness and to bring it into some economic ratio with the value of agricultural property as a whole. By dismortgaging is to be understood the conversion of mortgage loans encumbering the estates obtained from private sources at high rates of interest and liable to be called in on notice being given into Landschaft loans at a cheaper rate not liable to be called in but repayable by instalments. It is thus a task naturally falling within the sphere of Landschaft activity and one that has now assumed considerable importance.

The dismortgaging programme was drawn up by the Directorate of the Landschaft of East Prussia in the years 1906-07, and approved in its main lines by Royal Decree of 23 March 1908.

In consideration of the differing social and economic circumstances of the landed proprietors, the scheme admitted of various methods of solving the problem, and members of the Landschaft had the opportunity of choosing the method that offered them most likelihood of success in diminishing their mortgage burdens.

The methods for which provision was made were as follows: (1) the registration in the land register of a limit beyond which the mortgage indebtedness of the estate could not go; (2) the taking out of a life insurance policy, and finally (3) the granting by the Landschaft Bank of East Prussia of mortgages repayable by the system of amortization.

But is agriculture in Germany so involved in debt that special measures must be taken to free it from mortgage burdens? In order to answer the question, let us examine more closely the problem of the indebtedness of the land.

§ I. MORTGAGE INDEBTEDNESS IN PRUSSIA.

Already at the beginning of the nineteenth century, on the eve of the Prussian agrarian reform, there was a very serious degree of indebtedness on agricultural land. From the census of mortgage debts carried out in 1805, it resulted that on estates of the nobles with a total value of 188,309,324 thalers, there were mortgage debts to a total of 109,007,319

thalers; that is the debts were 58 per cent. of the value of the lands mortgaged. There were besides, 5,926,141 thalers of mortgage charges on estates the price of which it had not been possible to fix. As regards the property of peasants with a total value of 55,964,089 thalers, the indebtedness amounted to 25,026,002 thalers, that is to 38.1 per cent., apart from debts to the amount of 13,204,488 thalers on lands of which the value was not known.

The collection of these data was interrupted by the War and they only refer to certain provinces. Thus no conclusion can be drawn from them as to the whole of Prussia, but they are nevertheless of much significance. The lands of the nobility were as we have said burdened with mortgages for more than half their value, and that same year the share of the Landschaft mortgages in this sum was as follows:

Landschaft of Silesia	24.2	millions of thalers
» of West Prussia	9.9	»
» of East »	9.0	»
» of Pomerania	6.8	»
Credit Institution of Kurmark and Neumark	3.8	»
Total	<u>53.7</u>	»

Mortgage loans obtained from private sources therefore account for more than half of these debts.

This indebtedness often assumed a still more serious character from the fact that these loans were not contracted with the object of introducing with the help of the capital obtained more scientific methods of administering the property but the sum received was used for land speculations, such speculation being rendered easier from the fact that loans were exclusively made on the property of the nobility.

As to the land owned by peasants, it was also heavily burdened with debts contracted with private persons, the Landschaft not yet allowing them credit on their land.

In the course of the same century a series of returns were made from which it appeared that the indebtedness was very high and on the increase. Important as they are, these returns only covered small fractions of the territory. Thus those of 1883 and 1896 only applied to six per cent. of the whole of the property of private persons in the country. The return of 1902, the most complete effected up to that date, was the only one to cover the whole of Prussia. In this the debts were calculated in relation to the capital assets of the landowners, whose economic position was thus exactly stated. The statistics thus drawn up took into account 720,067 landowners whose income was derived either chiefly or partly from the practice of agriculture or forestry, and properties were included with a net yield of 60 marks as calculated for the land tax, the total area included in the return being 21.8 million of hectares. The gross capital assets of the landed proprietors taken together was shown from this to be 39,955.3

millions of marks, and the amount of their debts was 9,554.3 million of marks; consequently the net capital assets were 30,401 million of marks. The debt represents 23.9 per cent. of the whole capital assets.

The debt of the 628,876 owners whose principal occupation was agriculture was higher, being 26.4 per cent. The indebtedness was divided between the different classes of owners in the following way:

TABLE VII. — *Mortgage Indebtedness in 1902, according to the Different Classes of Property.*

Classes of property		Net yield as calculated for the land-tax	Debts in millions of marks	Percentage of debt on total capital
1	Small properties cultivated by the owners	from 60 to 90 marks	227.00	18.5
2	{ Medium-sized properties cultivat- ed by the owners	» 90 » 150 »	446.01	20.1
3		» 150 » 300 »	833.05	21.6
4	{ Large properties cultivated by the owners	» 300 » 750 »	1,339.07	22.8
5		» 750 » 1,500 »	1,025.24	26.5
6	{ Large estates	» 1,500 » 3,000 »	906.47	33.1
7		above 3,000 »	2,755.20	31.4

It will be seen that the indebtedness increases with the area of the property both relatively and absolutely. Only in classes 5 and 6, this is not strictly the case, for while the relative indebtedness increases with the area of the properties, there is a decrease in the absolute indebtedness. On the other hand, in the last class, that of the large estates, the contrary happens: there we find a decrease in the relative indebtedness and an increase in the absolute indebtedness.

In order to make the position of the mortgage indebtedness still clearer we subjoin a table based on the data of the separate provinces of Prussia.

TABLE VIII. — *Indebtedness of Rural Landed Property in 1902 shown for the Separate Provinces of Prussia.*

Provinces	Percentage of debts on total capital	For every 100 land owners there were		
		in debt		not in debt
		up to 50 % of their total capital assets	for more than 50 % of their total capital assets	
East Prussia	46.8	59.5	35.0	5.5
West Prussia	52.8	50.2	44.7	5.1
Environs of Berlin	15.8	46.4	17.9	35.8
Brandenburg	28.3	74.7	15.6	9.6
Pomerania	40.4	62.6	29.1	8.2
Posen	42.1	68.5	25.5	6.0
Silesia	34.6	59.5	31.5	9.1
Saxony	20.2	62.1	7.8	30.0
Schleswig-Holstein	30.9	56.3	26.8	16.9
Hanover	16.7	55.0	8.3	36.7
Westphalia	13.6	52.3	6.8	40.9
Hesse-Nassau	11.9	46.7	3.3	50.0
Rhine Province	9.9	15.4	5.4	79.1
Hohenzollern	24.8	16.1	18.4	20.5

The indebtedness is thus seen to be much higher in the eastern than in the western provinces. In West Prussia for example the debts represent more than half the total capital assets, while in the Rhine province they represent only 9.9 per cent. Taking on the one hand all the Provinces of the East (East Prussia, West Prussia, Brandenburg, including the Berlin area, Pomerania, Posen, and Silesia) and then the western provinces, the percentages of the debts to the total capital value come out respectively at 37.9 per cent. and 17.3 per cent. In other words, the large estates of the East are more encumbered with mortgages than the small properties of the West.

The frequency with which statistics were compiled in the nineteenth century is an indication of the importance ascribed to this problem of indebtedness both by the Government and by public opinion. More particularly was this so from the fact that the Landschaft system of extinction of mortgages had not, as we have seen, proved altogether efficacious

as a means of dismortgaging, while the need for working capital for agriculture was felt increasingly.

At the present time, when the high profits made by farmers are more than can be invested in their farming business, the question of indebtedness is not so pressing as it was, but in proportion as there is a return to normal conditions its importance is increasing.

If we compare the mortgaging and dismortgaging that went on in the rural districts during the War, the following results are obtained :

Years	Mortgages registered	Mortgages discharged	Difference between registrations and extinctions
	millions of marks	millions of marks	millions of marks
1913	1,615.61	828.27	787.34
1914	956.22	522.96	434.06
1915	393.58	340.74	52.84
1916	439.44	470.92	— 31.48
1917	725.44	715.10	10.34
1918	—	—	17.00
1919	—	—	837.00

As these figures show the indebtedness went on decreasing during the first years of the War, to the point that in 1916 the dismortgaging exceeded the indebtedness by about 31 $\frac{1}{2}$ millions. Beginning from 1917 the latter began to increase slowly, and the difference between the registered mortgages and those extinguished became larger and in 1919 the excess of the former amounted to a sum never before reached in the course of the preceding years (1).

§ 2. THE PRUSSIAN LAW OF 20 AUGUST 1906 ON THE LIMITS OF INDEBTEDNESS.

About 1920 under the pressure of the Caprivi commercial treaties, so prejudicial to agriculture, an attempt was made to give new direction to the movement for dismortgaging. The aim in view was not so much the repayment on good terms to the *Landschaften* as to bring about by means of the *Landschaften* themselves the cancellation of the successive mortgages which were more burdensome and were subject to being called in.

(1) *Zeitschrift des Preussischen Statistischen Landesamtes*. Statistische Korrespondenz. 60th Year. Parts I and II, pp. 20-21. *Archiv für Innere Kolonisation*. Vol. XII, No. 12, September, 1920-21. p. 762.

With this object the resolutions passed by the Central Credit Commission set up in 1898 by the Chambers of Agriculture were submitted to the *Landschaften*. According to these resolutions the *Landschaften* were to take up successive mortgages up to five sixths — and exceptionally up to six sixths — on the guarantee consisting of not only a Government subsidy, of which the form was immaterial, but also of the speedy extinction of the whole debt to the *Landschaften*, and the joint and several liability of all the landowners who were members of the Chambers of Agriculture. One of the conditions essential to complete dismortgaging of the land was to be the introduction of a limit of indebtedness, beyond which the mortgaged property could not be burdened.

There was no immediate outcome of these proposals, although the *Landschaften* were quite prepared to take part in carrying them out. The last point agreed on by the Chambers of Agriculture, that limiting the power to contract debts, was the only one accepted by the Government and it was put into force in Prussia by the Law of 20 August 1906.

By this Law (*Gesetz betreffend die Zulassung einer Verschuldungsgrenze für land- oder forstwirtschaftlich genutzte Grundstücke*) the opportunity was given to every landed proprietor to limit the extent to which his estate could be mortgaged by voluntary registration of the limit of indebtedness in the Land Register. This limit, in accordance with the experimental nature of these measures, varies with the different provinces, and usually conforms to the limit of indebtedness laid down by the public credit institutions. Beyond this limit the property cannot be burdened. The idea on which this was based was that if the debtor undertakes not to raise any mortgage on his property beyond a certain limit, the party granting the credit will be prepared to allow a lower rate of interest. And moreover the part of the estate which is unencumbered will serve as a better security for personal credit.

To alter the limit or to exceed it are only permissible on the application of the landed proprietor after taking the opinion of the credit institution in question and with the sanction of the provincial authority. But even so the excess must not be more than one quarter of the total sum forming the limit of indebtedness, and there must be special reasons, such as succession by inheritance.

Opinions are greatly divided as to the value of this law as a method of effecting dismortgaging on a large scale. The law together with the registration of a limit of indebtedness tends to discourage the contracting of loans, just as happened in the case of the peasants about a century before, 14 September 1811, when it was enacted that they could only mortgage their lands within the limit of the fourth of their value. This measure was also the subject of much discussion up to the time that it was abolished, as we have seen, by a Cabinet ordinance dated 29 December 1843. But, we may ask, will not the landed proprietors, if deprived of recourse to credit institutions, try to obtain the credit they need from other sources, more costly and less economically sound? However this may be this law is important from our point of view because the action of the *Landschaft* of

East Prussia, which took the initiative in the matter of dismortgaging, was in part based on the principles of this enactment.

§ 3. THE SYSTEM OF DISMORTGAGING BY MEANS OF THE REGISTRATION OF THE LIMIT OF INDEBTEDNESS.

With this system of dismortgaging, the limit of the loans usually granted by the *Landschaft*, up to that time fixed at two-thirds of the amount of the valuation of the lands, was extended to five-sixths. These improved credit facilities carried with them the obligation on the part of the agriculturists to register, before the loan could be made, the limit of their indebtedness in the Land Register in accordance with the law explained above, and to undertake the gradual extinction on a large scale of debts by means of converting them into new *Landschaft* debts. For proprietors declaring themselves ready to dismortgage their property valuations are made on the most favourable lines, and an addition of 15 to 25 per cent. is allowed to the estimated value of the property. The additional credit granted by the *Landschaft* can serve not only for direct dismortgaging, but also for indirect, as it can be given in the form of credit for improvements, with the object of increasing the productiveness of the property and thus providing the owner with the means for the extinction of the charges encumbering it. Credit for improvements is only granted on production of proof of its employment in improvement, and it must be extinguished by amortization within a period not exceeding 30 years. Instead of credit for improvements, and within the same limits as apply to that, the loan of a corresponding sum may be made for the purpose of extinguishing a second mortgage, the credit being thus employed to lessen the charges burdening the estate in cases where improvement does not seem necessary.

To procure the capital needed in view of credit for land improvement the *Landschaft* issues special bonds payable to bearer at 4 per cent. not covered as the mortgage bonds were by the general guarantee, but by registered mortgage credit, by a sinking fund, by the owned capital of the *Landschaft* and also by a special reserve fund. On these bonds, as on mortgage bonds, the Bank of the Empire makes loans at the rate of two thirds of their market value.

As regards the obligation to extinguish indebtedness by regular payments, the landowners who take advantage of the full credit facilities of the *Landschaft* are expected to pay, as amortisation, one half per cent. per annum on the amount of their loan, contracted in mortgage bonds in the usual way within the limit of two-thirds of the value of their property, and besides two per cent. on the amount of any loan made to them beyond that limit, and finally, one quarter per cent. on credit for improvements. When all second mortgages have been cleared off by means of the sinking fund thus constituted, the next step is the extinction of the mortgage held by the *Landschaft* until it is reduced to half of the amount of the valuation. From that time, the indebtedness having been reduced to proportions eco-

nomically sound, the obligation of further amortization ceases, while the limit of indebtedness still remains.

The following table shows the results obtained by the application of this system from 1910 to 1920.

TABLE IX. — *Number of Estates Undergoing Dismortgaging by means of Mortgage Conversion and by Fixing a Limit of Indebtedness, and Total of Sums Lent for this Purpose from 1910 to 1920 (1).*

Years	Loans to five-sixths		Improvement loans		Total of credits set aside and used for dismortgaging
	Number of estates	Sums lent	Number of estates	Sums lent	
		marks		marks	marks
1 April 1910	24	792,600	22	502,800	1,295,400
» 1911	45	1,044,500	36	583,000	1,627,500
» 1912	75	1,144,600	60	617,200	1,761,800
» 1913	95	1,377,200	74	699,200	2,076,400
» 1914	95	1,379,100	77	702,800	2,081,900
» 1915	101	1,493,400	77	703,300	2,196,400
» 1916	100	1,416,000	77	653,800	2,069,800
» 1917	97	1,293,500	—	624,300	1,917,800
» 1918	96	1,282,700	—	624,300	1,907,000
» 1919	95	1,218,100	—	606,400	1,824,500
» 1920	91	1,022,600	—	589,200	1,611,800

(1) From the statements of accounts of the Landschaft of East Prussia for the years 1910 to 1920.

As will be seen from this table, there was an increase, during the first years of this dismortgaging movement, not only in the number of estates taking advantage of the system, but also in the total of credits utilized for this purpose and of the improvement loans granted. But after 1918 this advance was almost imperceptible and during recent years a decrease has taken place.

In order to arrive at approximately exact conclusions as to the result of the measures taken for dismortgaging, we must examine what was attempted during the first period, that is during the five years immediately preceding the War. During the period 1908 to 1913, 95 estates joined in

the dismortgaging scheme : i. e. 0.6 per cent. of the 16,614 estates that during that time held loans from the Landschaft of East Prussia.

For these 95 estates there were granted in view of dismortgaging credits exceeding two-thirds of their value to a sum of 2,066,450 marks. Thus in the first five years from the adoption of the scheme, only 20 per cent. had been utilized of the ten millions available for the first three years. The sum fixed might thus serve for several years more. In six cases only was the power used of obtaining a valuation supplement of 15 or 20 per cent. up to a maximum of 25 per cent. for dismortgaged property. This maximum valuation supplement was put into force for one estate only. In spite of the facilities offered to estates subjecting themselves to dismortgaging, agriculture has maintained an attitude of reserve in regard to the system.

The reason for this attitude seems to be that the landowners did not accept without opposition the limit of indebtedness and the restrictions on their liberty to contract loans on their landed property. Such restrictions, as was said at the German Agricultural Congress in 1911, "have always a resemblance to a diluted form of sequestration."

Restrictions on the power to contract loans depreciate the selling price of property, for persons otherwise anxious to buy are deterred because they are not in a position to pay in ready money the difference between the price and the limit of indebtedness. Further, when this system of dismortgaging obtains, the yearly payments are higher than before, in spite of a lower rate of interest, owing to the fact that amortization instalments are much higher ; it often thus comes about that the advantages of the Landschaft credit are nearly lost.

It may be due to these causes that there have lately been a certain number of requests for the cancellation of the limit of indebtedness, the alleged reason being that at the time of the registration the applicants had no clear idea of the consequences entailed.

It would seem that the Landschaft of East Prussia had not been under any illusion as to the success of the restriction of indebtedness as a means of dismortgaging. The Director of the Landschaft has in fact expressed himself as follows : "It is obvious that the method of dismortgaging by means of registration of a limit of indebtedness does not lend itself to general application. It is a suitable method when the circumstances taken together make it necessary to keep the family property intact, that is to say, when they are such as would ordinarily lead to the creation of an entail. But even if it be admitted that this procedure is likely to be more widely adopted as time gives an opportunity for its beneficial results to appear, even so this procedure, from the limits it imposes on liberty of contracting loans, will never be the system adapted to the majority of cases."

The future will show if this method of dismortgaging rural property will maintain itself amid changed conditions of agricultural economy, or whether it will be nothing but a stage in the solution of the problem of dismortgaging.

§ 4. THE SYSTEM OF DISMORTGAGING BY MEANS OF LIFE INSURANCE.

The second system of dismortgaging by means of taking out a life insurance policy has met with more favour with the public than the first system, and it is more and more generally applied.

The idea of combining life insurance with the extinction of debts is due to von Hecht who is well known as a student of land credit institutions. He made a proposal on these lines at the Agricultural Congress of 1894. By the plan he outlined, side by side with the ordinary amortization there was to be a special form of extinction of mortgage debt by means of the taking out of a life insurance policy. The insurance was to be effected for the amount of the debt to be extinguished, and since that becomes less every year in consequence of the payment of the annual amortization charge, this means effecting it for the sum that remains to be paid. Thus what is insured is the remainder of the debt the amount of which is always diminishing, and consequently the premiums are gradually reduced. In the event of the death of the insured person the residue of the capital debt not yet repaid is covered by the insurance and thus complete dismortgaging is rendered possible. The life insurance is not thus an end in itself but was introduced into the system of dismortgaging as an essential factor.

This scheme of Hecht's was examined in the German Council of Agriculture from 1900 to 1902, and on account of the high annual payments (amounting to 6 to 7 per cent. of the debt to be amortized) that would be required from the agriculturists who wished to effect dismortgaging, it was looked upon as difficult to put into practice.

The life insurance as arranged by the Landschaft of East Prussia is not concurrent with amortization, but acts in its stead to effect dismortgaging, and consequently the annual payments made by landowners are not in any way increased. The Landschaft pays the premiums into its own life insurance office, and if necessary advances them on the account of the landowner. On the understanding that the premiums are not allowed to lapse, the life insurance carries with it the certainty of the extinction of the debt.

By taking out a life insurance policy the disposal of a capital sum is secured immediately on the death of the head of the family, at a time when the family fortunes are endangered. This capital supplies the means of meeting the claims of the co-heirs, of putting in order the existing mortgage relations, and thus of securing the property to the family without risk of having to contract new indebtedness.

The assured sum is available for the heirs, independently of the length of life of the member of the Landschaft, and it comes to them in its entirety, in accordance with the principles of life insurance, even if the insured person dies after having paid only one or two premiums.

If the terms of the policy are that the capital sum is to be paid, not in the event of death but when the insured person attains a certain age, then it serves to remove a burden from the son who takes over the property and even gives the insured person an independent position in respect to his descendants.

With this system life insurance is not so closely connected with dismorgaging as in Hecht's scheme, but it is more easily applied.

Dismortgaging by means of life insurance is the more readily adopted because the insured person undertakes to forego his right of making use of his sinking fund instalments for a very much longer time than is usual in the amortization systems generally followed by the *Landschaften*.

On these fundamental lines operations were begun on 15 November 1910 by the Institution established for the purpose, approved by a Cabinet ordinance dated 21 September 1910, and administered completely by the *Landschaft*. This was the first public body to engage in life insurance in Germany. It was endowed with a foundation capital of a million marks in mortgage bonds at three and a half per cent. of the *Landschaft* of East Prussia, drawn from the owned capital the *Landschaft*: an advance of 25,000 marks in cash was added for organization expenses. The foundation capital, which is absolutely ceded to this Institute and only liable to be called in if the latter is dissolved, is free of interest for the first five years, and after that carries an interest of three and a half per cent. In 1913 another loan of 50,000 marks was made to the Life Insurance Institution in order that it might organize popular insurance. No obligation to repay attaches to this latter sum.

The *Landschaft* life insurance is offered at much less than insurance in private companies, relying as it does on an administrative organization already in existence, which undertakes the issue of the policies and the receipt of the contributions, simply as operations accessory to their ordinary functions. This much reduces the administration expenses. In dealing with persons desirous of insuring, the Institution directs them to all the information bureaux of the *Landschaft*, as well as to the different bureaux (*Geschäfte-, Neben-, und Annahmestellen*) of the *Landschaft* Bank of East Prussia. Besides in each district (*Kreis*) special agents are named with honorary functions. The savings banks, the Raiffeisen Organization for East Prussia, and the Federation of Co-operative Societies of Ermland, which take an active part in the propaganda of popular insurance, have a special importance in this respect. The spread of the practice of life insurance also owes much to the action of the Chamber of Agriculture.

In so far as no profits are looked for, the *Landschaft* life insurance guarantees the highest possible sum at the lowest possible rates, what surplus there is being divided among the insured persons. Life insurance of persons of modest means, the so-called popular insurance, is employed especially as a method of dismorgaging. This public type of insurance is not directed only to guaranteeing amortization on the part of the member of the *Landschaft* but offers further advantages for the rural population. At the Conference of 26 November 1910, where the discussion turned on

life insurance as a method of dismortgaging, the Director-general of the Landschaft made the following observations: "The total funds representing life insurance as undertaken by German private companies amount to nearly 4,300 millions of marks (1). Out of this about 3,400 millions are invested in mortgages. But only 50 millions have come back to the country districts under the form of mortgages, and 3,250 million have gone to the towns. These figures make quite clear the nature of private insurance loans. The contributions paid by the rural population to the funds of the private life insurance companies do not return to the country, but they serve, directly or indirectly, to re-inforce all the causes of the rural exodus so frequently deplored. And in my opinion it is just the agricultural circles that have every reason to exert themselves to put a stop to this process. This will only come about through the existence of a public body for life insurance, safeguarding the general interests, interests of the first importance when it is a question of checking the rural exodus." Thus besides the work of dismortgaging, the public life insurance has in view a whole range of economic interests of the province in question.

The following table shows the success achieved in dismortgaging land by means of life insurance by the Landschaft of East Prussia, from 1911 to 1920.

TABLE X. — *Dismortgaging effected by the Landschaft of East Prussia by means of the Life Insurance System, from 1911 to 1920 (1).*

Years		Number of insurances	Total value of insurances taken out for amortization
			in millions of marks
1911-1913		1,067	13.5
31 December 1914		303	3.7
" " 1915		55	0.9
" " 1916		89	1.3
" " 1917		47	0.6
" " 1918		171	2.1
" " 1919		127	2.3
" " 1920		118	3.0
Total . . .		1,977	27.4

(1) From the administrative reports of the Life Insurance Institution of the Landschaft of East Prussia

(1) At the end of 1920, about 28,000 millions of marks. *Masius Rundschau Blätter für Versicherungswissenschaft*, Part 9, Leipzig, 1921.

As we see, quite remarkable results have been achieved. On the whole in ten years' working, the Landschaft of East Prussia had issued nearly 2,000 (to be exact 1,977) dismortgaging insurances, amounting to a total of 27.4 millions of marks in round figures. Comparing these figures with those relating to properties on which, in 1920, loans up to two-thirds of their value had been made by the Landschaft of East Prussia, and to which this insurance was therefore applicable, there being 14,956 such estates, a percentage of 13 is the result, showing that the number of agriculturists who make provision for dismortgaging their property in this way is large. The total value of the insurances made with the Landschaft up to that date, namely 27.4 millions of marks, represents a still higher percentage in relation to the total amount (113 million marks) of the current amortizations of the year 1920, say 25 per cent. The system of life insurance thus covers one quarter of the charges burdening the properties and their complete extinction is effected by means of the amortization payments and the insurance premiums. The method has thus proved itself to be suitable, and has been widely applied as a means of dismortgaging by the owners of rural property.

In order to extend these dismortgaging operations as widely as possible, the Institution for Life Insurance also carried on the work of a mortgage credit institution during its first years, and the money which flowed into its coffers as insurance premiums was used to make loans on the guarantee of second mortgages: these loans were intended to take the place of private mortgage debts, contracted at a high rate of interest. But on the outbreak of war the Institution practically abandoned this side of its work, partly owing to the effect of the War on the province of East Prussia and partly with the intention of taking up war loan through the medium of the Bank of the Landschaft. During the years 1919 and 1920, available funds were almost entirely absorbed by the payment of the sums subscribed to war loan. On 31 December 1913, that is in its first three years, this Institution had made 208 mortgage loans on rural properties for a total sum of 1,089,800 marks. On 31 December 1920 these loans were 286 in number and 1,372,334 marks in amount.

It was in 1917 that we find greatest number of loans on rural property, in which we have the most direct interest. That year they were 312 in number with a total value of 1,569,200 marks. The following table shows the division of these mortgages according to the classes of property.

TABLE XI. — *Number and Extent of Properties on which Mortgage Loans were made by the Landschaft Life Insurance Institution, and Total of these Loans from 1911 to 1917.*

Area of the properties	Number of the properties	Total of mortgage loans	Average value of loans
		marks	marks
Up to 50 hectares	203	480,600	2,367
From 50 to 100 hectares	68	463,050	6,810
» 100 a to 200 hectares	30	392,350	13,078
More than 200 hectares	11	233,200	21,200
Total . . .	312	1,569,200	5,029

As may be seen from this table, the investments that the Institution makes principally benefit small or medium-sized properties, which are only to a very limited extent benefited by the investments of private companies. This aspect of the question will be clearer on the examination of the classification of mortgage loans made up to the end of 1917, according to their amount.

Classification of Mortgage Loans, according to their Amount.

Amount of mortgage loans	Number of mortgage loans made on rural properties
Up to 1,000 marks	44
From 1,001 to 1,500 marks	35
» 1,501 » 2,000 »	36
» 2,001 » 2,500 »	26
» 2,501 » 3,000 »	27
» 3,001 » 4,000 »	24
» 4,001 » 5,000 »	33
» 5,001 » 6,000 »	10
» 6,001 » 7,000 »	11
» 7,001 » 8,000 »	10
» 8,001 » 9,000 »	6
» 9,001 » 10,000 »	10
» 10,001 » 11,000 »	4
» 11,001 » 12,000 »	5
» 12,001 » 13,000 »	10
» 15,001 » 20,000 »	14
» 20,001 » 25,000 »	2
» 25,001 » 30,000 »	2
» 30,001 » 35,000 »	3
Total . . .	312

As appears from this table, the smaller mortgages loans, those not exceeding 5,000 marks, numbering 225 in all, represent nearly two-thirds of the whole. Since 1917, as has already been said, there has been no further development of this side of the work of the Life Insurance Institution.

In the meantime, public life insurance institutions have been formed in other Prussian provinces, as in East Prussia, by the action of the *Landschaften*. Fire insurance societies and provincial federations have vied with the *Landschaften* in forming these institutions and supplying them with funds. So as to effect reinsurance, these institutes have affiliated themselves to the Federation of Public Life Insurance Institutions (*Verband öffentlicher Lebensversicherungsanstalten*), with headquarters at Berlin. In 1920 it was composed of the following 12 institutions :

1. Life Insurance Institution of the *Landschaft* of East Prussia.
2. Life Insurance Institution of the *Landschaft* of West Prussia.
3. Provincial Life Insurance Institution of Pomerania.
4. Provincial Life Insurance Institution of Silesia.
5. Provincial Life Insurance Institution of Brandenburg.
6. Life Insurance Institution of Hesse-Nassau.
7. Provincial Life Insurance Institution of Saxony.
8. Provincial Life Insurance Institution of Westphalia.
9. Provincial Life Insurance Institution of the Rhine Province.
10. Provincial Life Insurance Institution of Schleswig-Holstein.
11. Provincial Life Insurance Institution of Hanover.
12. Public Life Insurance Institution of the Savings-banks of the

Free State of Saxony.

Up to 1919 the Provincial Life Insurance Institution of Posen also belonged to the Federation.

In order to facilitate international reinsurance for the Federation, there has been formed expressly for the purpose an institution known as the "Deutschland" Reinsurance Institution, in the form of a share company.

* * *

To complete this account, we may mention that originally in the *Generallandtag* of 1907, the *Landschaft* of East Prussia had planned a third method of dismortgaging intended to press the *Landschaft* Bank into the service of the task of freeing the country-side from debt. The Bank was to have granted, within the margin of the estimated value of the property as fixed by the *Landschaft*, credits secured by a second mortgage, liable to be called in on notice being given, without registration of the limit of indebtedness. The debtor at the time of receiving the loan from the Bank was to be obliged to bind himself to amortize it regularly, leaving as pledge at the Bank the sinking fund of the loan in mortgage bonds, thus placing it at the disposal of the Bank till such time as the Bank mortgage was extinguished, and at the same time paying as amortization of this latter

loan an amortization of one half or one per cent. The means for making these mortgage loans were to be obtained from the Bank's own deposits or savings accounts, and such loans were to be granted in the first place to very small or small properties, then, little by little as the deposits increased, also to the medium-sized and at last to the large estates.

This system of dismortgaging, which had as its principal aim the freeing of small properties from debt and their economic betterment, did not meet with the approval of the Government in the form desired by the Landschaft. The Government made it a condition to the realization of the scheme that for bank loans also a limit of indebtedness should be registered in the Land Register as had been done in the first system of dismortgaging. With such a condition the system could not achieve success, since if the landowner had to submit to registration of the limit of indebtedness in the Land Register, he could obtain from the Landschaft itself a loan that he would not have to repay on notice being given, without any need for recourse to the bank loan, which would be liable to be so called in.

* * *

Thus at the present time the Landschaften are trying to bring about rural dismortgaging by the application of two systems: one a direct one in which the Landschaft is itself the agent, the registration of a limit of indebtedness in the Land Register; the other indirect where an accessory institution is the agent, amortization by means of insurance.

The immediate causes of indebtedness, such as the relatively low yield per hectare of farms, certain forms of succession not favourable to rural property, etc., naturally cannot be eliminated by the Landschaften. Their claim to merit as institutions of agricultural credit is that of being the first to attack in a practical way the problem of dismortgaging and of having created an organization for the purpose, especially in the form of life insurance, which on the whole and though favoured by the special circumstances of war time agricultural economy, has proved very efficacious in reducing the heavy mortgage charges on rural landed property.

CHAPTER VI.

THE POSITION OF THE LANDSCHAFTEN
IN THE GENERAL ORGANIZATION OF MORTGAGE CREDIT.

So as to bring out more clearly the importance of the *Landschaften*, we will now examine them in relation to the other land credit institutions, as an integral part of the organization of mortgage credit in Germany.

As we have already mentioned in the introduction there are in existence in Germany for the purposes of land credit, besides the *Landschaften*, State, provincial and communal credit institutions (the name *Landeskreditkassen* being used alike for all), as well as limited liability mortgage banks, modelled on the *Crédit Foncier* of Paris, founded in 1852. As distinct from the *Landschaften*, which chiefly make loans to the large landed property, the *Landeskreditkassen* are of use chiefly to the medium-sized or small properties, besides supplying urban credit, while the mortgage banks devote themselves almost exclusively to loans on urban properties. The few loans made on agricultural land by the mortgage banks are made to large estates. The distribution of these institutions throughout Germany corresponds to this variety in the basis of the loan, as may be seen from Table XII, in which are shown the total value of the loans granted by each institution, and for each class of credit, as well as the total value of all the loans.

TABLE XII — *Geographical Distribution of the Different Classes of Land Credit Institutions on 31 December 1912 (1).*

States and territories	Landschaften		State, provincial, and communal institutions		Limited mortgage banks		Rentenbanken and Landeskreditbanken		Other institutions		Total number of the institutions	Total amount of bonds in 1000 marks
	Number	Amount in 1000 marks	Number	Amount in 1000 marks	Number	Amount in 1000 marks	Number	Amount in 1000 marks	Number	Amount in 1000 marks		
Province of East Prussia.	1	470,209	—	—	1	5,474	1	71,525	—	—	3	547,208
» of West Prussia	2	335,145	—	—	—	—	—	—	1	19,031	3	354,176
City of Berlin.	5	772,327	—	—	6	2,723,573	1	35,687	—	—	12	3,531,587
Province of Brandenburg.	—	—	—	—	—	—	—	—	—	—	—	—
» of Pomerania	2	275,205	—	—	—	—	1	120,199	—	—	3	395,404
» of Posen	2	382,138	—	—	—	—	1	20,918	—	—	3	403,056
» of Silesia	3	584,281	—	—	1	462,892	2	21,617	—	—	6	1,068,789
» of Saxony	1	205,363	1	2,340	—	—	1	31,947	—	—	3	239,650
» of Schleswig-Holstein.	2	145,254	—	—	—	—	1	4,817	—	—	3	150,071
» of Hanover	3	62,448	1	170,572	1	54,565	—	—	—	—	5	287,585
» of Westphalia	1	95,717	—	—	3	886,698	1	16,726	—	—	2	112,443
» of Hesse-Nassau	—	—	2	330,908	2	386,443	—	—	—	—	5	1,217,606
Rhine Province	—	—	—	—	—	—	—	—	—	—	2	386,443
Hohenzollern	—	—	—	—	—	—	1	1,534	—	—	1	1,534
Prussia	22	3,328,087	4	503,820	14	4,519,644	10	324,970	1	19,031	51	8,695,552
Bavaria, right bank of the Rhine	—	—	—	—	6	2,952,369	2	146,032	1	148,052	9	3,246,453
Bavaria, left bank of the Rhine	—	—	—	—	1	446,506	—	—	—	—	1	446,509
Bavaria	—	—	—	—	7	3,398,875	2	146,032	1	148,032	10	3,692,959

(1) Taken from *Vierteljahresshefte zur Statistik des Deutschen Reiches*, publication of the Kaiserlich Statistisches Amt, Berlin, 1914, No. 1, pp. 188-191.

TABLE XII (continued). — Geographical Distribution of the Different Classes of Land Credit Institutions on 31 December 1912 (1).

States and territories	Landschaften		State, provincial, and communal institutions		Limited liability mortgage banks		Rentenbanken and Landes- kulturbanken		Other institutions		Total number of the institutions	Total amount of bonds in 1000 marks
	Number	Amount in 1000 marks	Number	Amount in 1000 marks	Number	Amount in 1000 marks	Number	Amount in 1000 marks	Number	Amount in 1000 marks		
Kingdom of Saxony	2	422,176	2	198,362	3	366,119	1	36,119	—	—	8	1,022,776
Württemberg	1	105,563	—	—	2	236,113	—	—	—	—	3	341,696
Baden	—	—	—	—	1	567,863	—	—	—	—	1	567,863
Hesse	—	—	1	12,699	1	158,009	—	—	—	—	2	170,708
Mecklenburg Schwerin	1	36,012	—	—	1	122,446	—	—	—	—	2	158,458
Grand Duchy of Saxony	—	—	1	41,726	1	96,395	—	—	—	—	2	138,121
Mecklenburg-Strelitz	—	—	—	—	1	10,079	—	—	—	—	1	10,079
Oldenburg	—	13,196	1	66,157	—	—	—	—	—	—	1	66,157
Brunswick	1	—	1	21,425	1	202,405	—	—	—	—	3	237,026
Saxe-Meiningen	—	—	1	78,748	1	561,870	—	—	—	—	2	640,618
Saxe-Altenburg	—	—	1	26,238	—	—	—	—	—	—	1	26,238
Saxe-Coburg-Gotha	1	—	1	88,898	1	330,613	1	8,483	—	—	3	427,994
Anhalt	—	—	—	—	—	—	1	395	—	—	1	395
Schwarzburg-Sondershausen	—	—	1	3,300	1	63,625	—	—	—	—	2	66,925
Schwarzburg-Rudolstadt	—	—	1	10,747	—	—	—	—	—	—	1	10,747
Waldeck	—	—	—	—	—	—	—	—	—	—	—	—
Reuss, Elder Branch	—	—	—	—	1	49,820	—	—	—	—	1	49,820
Reuss, Junior Branch	—	—	—	—	—	—	1	585	—	—	1	585
Schaumburg-Lippe	—	—	—	—	—	—	—	—	—	—	—	—
Lippe	—	—	—	—	—	—	—	—	—	—	—	—
Lubeck	—	—	—	—	—	—	—	—	—	—	—	—
Bremen	—	—	—	—	—	—	—	—	—	—	—	—
Hamburg	—	—	—	—	1	535,402	—	—	—	—	1	535,402
Alsace-Lorraine	—	—	—	—	1	191,401	—	—	—	—	1	191,401
Germany	27	3,905,934	15	1,905,934	38	11,410,699	16	516,584	—	167,083	98	17,951,401

(1) Taken from *Vertriebshefte zur Statistik des Deutschen Reiches*, publication of the Kaiserlich Statistisches Amt, Berlin, 1914, No. 1, pp. 188-191.

As appears from this table, nearly all the German *Landschaften* are in Prussia, particularly in the East : there are in that region 22 out of 27 of the credit institutions, with a circulation of mortgage bonds to the value of 3,328,987,000 marks, and not counting the *Stadtschaften* (1), there were 18 *Landschaften* (as may be seen from Table I) with a total circulation of mortgage bonds to the value of 2,953,047,227 marks, in the year 1912.

Of the 15 State, provincial and communal credit institutions, only four belong to Prussia, with about 500,000,000 marks in bonds, while the remainder and larger part belong to the small states of South or West Germany, that is to say 11 institutions, with a total of mortgage bonds nearly equal to that of Prussia.

In accordance with the nature of their field of action, the mortgage banks are fairly uniformly spread over the whole country, although the larger number are outside Prussia, in central and southern Germany : 14 in Prussia with a circulation of 4,500 million marks worth of bonds in round numbers ; seven in Bavaria with 3,398 millions of marks and 17 in the rest of Germany with 3,493 millions of marks.

The *Rentenbanken* and the *Landeskulturrentenbanken* are not land credit institutions in the true sense of the phrase, but they are of value, the first in doing away with the burdens on land that have come about in consequence of the breaking of the dependent relation between the peasant lands and those of the nobles, the second in assisting general improvement schemes, not only for the benefit of individual landowners, but also and primarily for the advantage of the State, such as schemes for draining off water, for irrigation, for the embankment of rivers, for road-making, for re-forestation, etc. Ten of these institutions, that is to say the majority, are in Prussia, with bonds for the sum of three and a quarter million marks. The two " miscellaneous " credit institutes are one in Prussia, the Town Mortgage Society of Dantzic, the other in Bavaria, the Agricultural Bank of Munich.

The ratio between the value of the bonds issued by each group of credit institutions and the total circulation of the bonds is shown in Table XIII.

(1) Among the *Landschaften*, official statistics include the *Stadtschaften*, based like the *Landschaften* on the co-operative principle, but carrying on credit operations only in favour of urban property.

TABLE XIII. — *Ratio of the Bonds of the Different Groups of Credit Institutions to the Total Circulation of all the Land Credit Institutions, on 31 December 1912.*

Kind of land credit institution	Number of institutions	Total bonds in 1000 marks	Percentages of the circulations of all the institution
Landschaften.	27	3,905,034	22.90
State, provincial and communal institutions	15	1,052,120	6.17
Limited liability mortgage banks	38	11,410,699	6.692
<i>Rentenbanken</i> and <i>Landeskulturrentenbanken</i>	16	516,584	3.03
Other institutions.	2	167,083	0.98
Total	98	17,051,520	100.00

Out of the 17,000 millions of bonds (1) for all the organized land credit, urban and rural, about a quarter, or 22.90 per cent., belong to the *Landschaften*: two-thirds, or 66.92 per cent., to the mortgage banks and about one sixteenth, or 6.17 per cent. to the State, provincial and communal institutions.

Then taking the rural credit into consideration, that is the only kind that is of interest to us at present, the proportion granted by the *Landschaften* out of all the groups is by far the largest. But there is difficulty in drawing up a table on the subject, since the *Landeskreditkassen* do not make any distinction between their urban and their rural loans.

Judging from the tables showing the activity of these latter institutions during the year 1897-8, it may be estimated that more than one third of their loans are granted to bodies (foundations of religious or civil communities, agricultural co-operative societies, etc.) (2), about 400 million marks out of a total of 1,052 million marks; out of the remainder, amounting to 652 million marks, more than half, 352 million marks, is used for landed proprietors.

(1) By way of comparison, it may be noted that the total of land bonds in circulation for all the European States, including the non-European part of Russia, at the end of 1897, came to 19,000 million marks in round figures, divided as follows: Germany, about 8,750 millions, Russia, more than 3,500 millions: Austria-Hungary, more than 2,000 millions: France 1,750 millions; Denmark, 758 millions; Norway and Sweden, 580 millions; Switzerland, 481 millions: Holland, 279 millions; Italy, 260 millions; Belgium and Spain, 75 millions each.

(2) Нечет: Der Europäische Bodenkredit. Leipzig, 1900.

As regards the mortgage banks, taking Schulte's figures, out of a total of mortgage credits of 11,455,613,070 marks in 1912 (a number lower by about 45 million marks than the total according to the official figures), about one fifteenth, that is 718,836,248 marks, relate to loans made on rural property. The total value of the mortgages of the banks has nearly doubled since 1900, when it amounted to 6,741,583,260 marks, and in the same time the loans made on urban property have developed in the same proportion, rising between 1900 and 1912 from 5,989,616,732 marks to 10,592,213,018 marks, while the mortgages registered on rural property have only risen in the same period from 600,374,071 marks to 718,836,248 marks.

Relying on these figures, we can reconstruct with some approach to exactness, the complete table of mortgage credit as organized in Germany, in respect to rural property:

TABLE XIV. — *Total Amount of Mortgage Credit affecting Rural Property in 1912.*

Institutions	Total in marks
Landschaften	3,180,399,677
Mortgage banks	718,836,248
State, provincial and communal institutions	352,000,000
Total	<u>4,251,735,925</u>

Out of bonds to the value of 4,250 million marks in round figures issued on the security rural property by land credit institutions, more than 3,000 millions, therefore, that is three quarters, were issued by the Landschaften.

For the year 1920, the same proportion can be proved. Leaving aside the State, provincial and communal institutions, for which recent data are wanting, and which could have little influence on the final figures, in 1920 the total mortgage bonds of all the Landschaften, except that of Posen, came to 3,255,791,443 marks: that of all the mortgage banks with the exception of the Land and Communal Credit Company of Strasburg, came to 11,296.2 million marks (1). Calculating that one fifteenth of this sum is used for rural credit, we get 753,080,000 marks, and thus in 1920 the total of land credit granted by these institutions would be about 4,008,871,443 marks.

More than three quarters of the organized agricultural mortgage credit is in the hands of the Landschaften. These figures, which closely represent the actual situation, make very clear the importance of the Landschaften in the general scheme of German land credit.

(1) *Wirtschaft und Statistik*, publication of the Statistisches Reichsamts, No. 1, January 1922. Berlin pp. 28-29.

* * *

As we have seen, the Landschaft loans and those of the mortgage banks are chiefly utilized by the large estates. Small and medium sized properties apply to the State, provincial and communal institutions, whence they obtained nearly 350 million marks in 1912. But even taking account of the credits granted by the Landschaften to peasant holdings, this sum seems scarcely adequate to the whole for Germany, or even for Prussia, where according to the return of farms for 1907, out of a total of 3,400,144 estates, 3,205,051, or 94 per cent. were small or medium-sized farms, less than 20 hectares in extent, with a total area of 11,397,986 hectares, or about 40 per cent. of the whole area, amounting to 28,512,875 hectares (1).

Small holdings make use of another source of credit. It is obtained from public savings banks, district or communal, founded originally merely to provide a means of investment for the savings of the poorer classes of the community. The total of the deposits, which was 4,850,051 thalers at the time of the promulgation of the decree of 12 December 1838 containing regulations for savings banks, at the beginning of 1921 amounted to 44,000 millions of marks. The number of these banks has increased and is more than 3,000 with more than 25 million savings bank books (2). This exceptional development encouraged the banks to extend their activity to other banking operations, and they undertake and pay special attention to the granting of mortgage credit both urban and rural. Thus out of the 14,500 million marks possessed by the Prussian savings banks in 1914, 2,374 million marks, or 16.35 per cent., was invested in mortgages on rural property, almost exclusively small holdings and property of medium size. The special enquiry carried out by the *Landes-Oekonomie-Kollegium* informs us that in 1908 out of 1,230 banks 936 had made mortgage loans exclusively or mainly to small holders (3). But only one quarter of the loans are made on terms of amortization with no liability to repay on demand, since the majority of the deposits in the savings banks are on short term and their repayment can be demanded at any moment. This is exactly why in many quarters the credit operations of the savings banks are regarded as a departure from their proper business, for these mortgage transactions are outside the real object of these institutions, namely to serve the interests of their depositors. The fact, however, remains that by granting loans they render considerable services to agriculture and especially to farmers occupying small or medium-sized holdings.

(1) STATISTISCHES JAHRBUCH FÜR DEN PREUSSISCHEN STAAT, 1909. Berlin.

(2) ROCKE; Die Gefahren der Entartung des Sparkassenwesens, in *Zeitschrift für Sozialwissenschaft*, Nos. 5-6, Leipzig, 28 June 1921.

(3) ALTROCK; Die öffentlichen Sparkassen in Preussen, 1917.

* * *

Mortgage credit business in Germany is thus on the whole much decentralized, and is carried out by a whole series of organizations. Each of these organizations engages in both urban and rural credit, though in a very varying degree. The Landschaften alone concentrate their activity, with the exception of very small sums devoted to urban credit, exclusively on rural credit. But in that field they are unquestionably in the first rank, whether in respect to the total sums lent or in respect to the forms under which the loans are granted to the landed proprietors. It is due to this circumstance that the Landschaften have been imitated even outside Germany, whether under the form of public co-operative societies as in the Baltic States (1802 to 1830), in the Kingdom of Poland, at Warsaw (1825), in Galicia, at Lemberg (1841), or under the form of private organizations in Sweden and Norway (1836-1853), in Denmark (1851-1863), in Hungary (1862), in Russia, with the Bank of the Zemstvos at Cherson, founded on the co-operative principle in 1864, in Finland, in Roumania, etc. The influence of the Landschaften extends even to our own times. The Federal Farm Loan Act of the United States of America, of 17 July 1916, which puts agricultural credit on a new economic and legal basis, is characterized by the same principles which form a basis of the Landschaften. Dr. A. C. Wiprud, in his book "The Federal Farm Loan System in Operation", published in 1921, admits that though the Federal system of agricultural credit is not a mere adaptation of any foreign rural credit system, it nevertheless embodies some of the most important principles of the Landschaften.

These institutions, dating from the days before capitalism, and belonging to the *Corpus Juris Fredericiani* thus prove themselves capable of taking their place in modern agriculture, amid a highly developed capitalism.

CONCLUSION.

One hundred and fifty years ago the principle of co-operative union among landed proprietors for the purpose of obtaining mortgage credit found its realization in the Prussian Landschaften. Originally created for the lands of the nobles, those institutions gradually dropped their special aristocratic character and included in the range of their activities small agricultural holdings. By granting credit not liable to repayment on demand, at a low rate, and by putting a check on private mortgages the terms of which were always very burdensome to landowners, the Landschaften did much to bring about the recovery of the agricultural situation, and rendered possible the transition of agriculture from extensive methods to scientific farming. The ruling factor of their action is exclusively the interest of agriculture: thus they hold an important position not only as mortgage banks, but also as agricultural institutions. The Landschaften

have had to adapt themselves to political and social changes, and consequently their constitution has undergone sundry transformations. But the root principle, the essence of all institutions of the Landschaft type, finding expression in the system of self-government and the joint liability of the members, has always been preserved as their characteristic feature. And as this principle is more and more marked in the whole economic life of the country, there is warrant for expecting a further and a successful development of the Landschaften even in the new Germany.

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